

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Niles, Michigan	County Berrien
Audit Date 9/30/05	Opinion Date 1/18/06	Date Accountant Report Submitted to State: 3/30/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

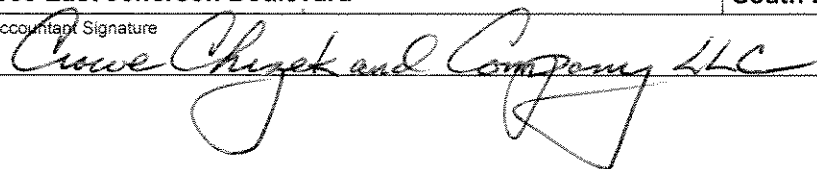
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		✓	
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) Crowe Chizek and Company LLC			
Street Address 330 East Jefferson Boulevard		City South Bend	State IN
		ZIP 46601	
Accountant Signature 		Date MARCH 30, 2006	

**CITY OF NILES
NILES, MICHIGAN**

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY FINANCIAL DATA**
September 30, 2005

CITY OF NILES
Niles, Michigan

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY FINANCIAL DATA
September 30, 2005

CONTENTS

CITY OFFICIALS	1
REPORT OF INDEPENDENT AUDITORS	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	14
STATEMENT OF ACTIVITIES	15
FUND FINANCIAL STATEMENTS	
GOVERNMENTAL FUNDS FINANCIAL STATEMENTS	
BALANCE SHEET	16
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS	17
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	19
PROPRIETARY FUNDS FINANCIAL STATEMENTS	
BALANCE SHEET	20
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	22
STATEMENT OF CASH FLOWS	23

CITY OF NILES
Niles, Michigan

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY FINANCIAL DATA
September 30, 2005

CONTENTS

FIDUCIARY FUNDS FINANCIAL STATEMENTS	
STATEMENT OF FIDUCIARY NET ASSETS.....	24
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS.....	25
NOTES TO FINANCIAL STATEMENTS	26
SUPPLEMENTARY INFORMATION	
REQUIRED SUPPLEMENTARY INFORMATION.....	52
GENERAL FUND	
COMBINING BALANCE SHEET.....	54
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	55
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL	
GENERAL FUND.....	56
GENERAL FUND CORPORATE ACCOUNT	59
INSURANCE ACCOUNT	67
NONMAJOR GOVERNMENTAL FUNDS	
COMBINING BALANCE SHEET.....	68
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	70

CITY OF NILES
Niles, Michigan

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY FINANCIAL DATA
September 30, 2005

CONTENTS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL

SPECIAL REVENUE FUNDS

TIFA FUND.....	72
BUILDING DEPARTMENT FUND.....	73
COMMUNITY DEVELOPMENT GRANT LOANS.....	74
DOWNTOWN REVOLVING LOAN FUND	75
COMMUNITY DEVELOPMENT HOUSING REHABILITATION FUND.....	76
INDUSTRIAL PARK AUTHORITY FUND.....	77
DIAL-A-RIDE TRANSPORTATION FUND	78
LOCAL STREET FUND.....	79
MAJOR STREET FUND	80
ECONOMIC DEVELOPMENT GRANTS AND LOANS FUND	81
CITY BUILDING AUTHORITY DEBT SERVICE FUND	82
CAPITAL IMPROVEMENT FUND.....	83
EQUIPMENT REPLACEMENT FUND	84
SEWER MAINTENANCE FUND	85
LOCAL IMPROVEMENT REVOLVING FUND	86

CITY OF NILES
Niles, Michigan

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY FINANCIAL DATA
September 30, 2005

CONTENTS

OTHER SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS.....	87
GENERAL OBLIGATION BONDS - PRINCIPAL AND INTEREST REQUIREMENTS	89
SUPPLEMENTARY SCHEDULE OF NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OPERATIONS - DIAL-A-RIDE TRANSPORTATION.....	90
SUPPLEMENTARY SCHEDULE OF MILEAGE DATA (UNAUDITED)	91

CITY OF NILES
Niles, Michigan

CITY OFFICIALS
September 30, 2005

Mayor

Mr. Michael McCauslin

City Council

1st Ward

Mrs. Georgia Boggs
Mrs. Pat Gallagher

2nd Ward

Mr. Robert Durm
Mr. Dan Vandenheede

3rd Ward

Mr. William Weimer
Mr. Robert Chute

4th Ward

Mr. Bruce Williams
Mr. Scott Clark

City Administrator

Mr. Terry Eull

City Treasurer/Director of Finance

Mr. David Flowers

City Clerk

Mrs. Ruth Harte

City Assessor

Mrs. Cindy Closson

REPORT OF INDEPENDENT AUDITORS

Honorable Mayor, City Administrator and
Members of the City Council
City of Niles
Niles, Michigan

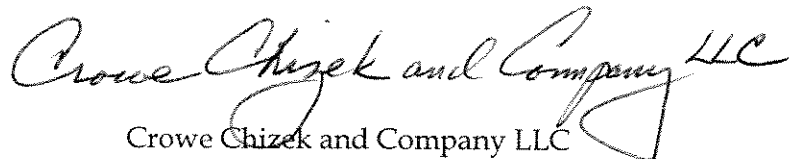
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Niles, Michigan (the "City") as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the foregoing table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Niles Housing Commission, a component unit of the City, which represent 5.6%, 7.4% and 3.7%, respectively, of the assets, net assets and revenues of the City. Those financial statements as of and for the year ended December 31, 2004 were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Niles Housing Commission, is based solely upon the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Niles, Michigan as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 4 through 13 and the Required Supplementary Information on pages 52 through 86 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Niles, Michigan basic financial statements. The Combining Financial Statements and Other Supplementary Information listed in the table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Crowe Chizek and Company LLC

South Bend, Indiana
January 18, 2006

CITY OF NILES, MICHIGAN MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Niles' (the "City") discussion and analysis is designed to (a) assist the reader in focusing on the significant financial issues, (b) provide an overview of the financial activities for the fiscal year ended September 30, 2005, (c) identify changes in the City's financial position (its ability to address the next year and subsequent year challenges), (d) identify any material deviations from the approved budget, and (e) identify individual fund issues or concerns. Since the management's discussion and analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and known facts, readers are encouraged to consider the information presented here in conjunction with the City's basic financial statements, which will follow this section.

Financial Highlights

- Assets of the City exceeded its liabilities at the end of the fiscal year by \$32,390,365 (net assets), an increase of \$87,365 from the previous year. Component unit (Niles Housing Commission) reported net assets of \$2,399,206, an increase of \$15,390 from the previous year.
- Of the \$32,390,365 reported in net assets, \$7,393,117 may be used to meet the ongoing obligations to citizens and creditors (unrestricted net assets).
- At the end of the fiscal year, the City's governmental funds reported total fund equity of \$5,113,339, a decrease of \$259,411 from the previous year. Of this fund equity, approximately 84 percent (\$4,296,256) is available for spending at the government's discretion (undesignated fund balance).
- At the end of the current fiscal year, the unreserved undesignated fund balance for the General Fund was \$1,934,225 or 24% of the total General Fund expenditures of \$7,924,850.
- The proprietary funds reported net assets at September 30, 2005 of \$20,510,796, an increase of \$209,999 from the previous year.
- The City's total debt as of fiscal year end was \$7,401,587, a decrease of \$129,582 or 1.7% from the previous year.

Overview of the Financial Statements

This discussion and analysis is an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements, and 3) notes to the financial statements. The basic financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow users to address relevant questions, broaden a basis for comparison (interperiod or intergovernmental) and enhance the City's accountability. This report also contains supplementary information in addition to the basic financial statements which further explains and supports the information presented in these statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. The Statement of Net Assets and the Statement of Activities are designed to be corporate-like in that all the governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. These statements should help the reader to answer the question: Is the City, as a whole, better or worse off as a result of this year's activities. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are recognized regardless of when cash is received or paid.

CITY OF NILES, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

The focus of the Statement of Net Assets is designed to be similar to the bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations (total economic resources). This statement presents all of the City's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases and decreases in net assets may indicate whether the City's financial position is improving or deteriorating. However, in order to assess the overall health of the City, non-financial factors such as the City's property tax base and condition of the City's infrastructure may also need to be considered.

The Statement of Activities is focused on both the gross and net cost of the various activities (governmental, business-type, and component unit) which are supported by the City's general tax and other revenues. This presentation is intended to summarize and simplify the user's analysis of the cost of the various governmental services and/or the subsidy to various business-type activities and/or component units. This statement shows how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying events occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both statements report three activities:

1. *Governmental Activities:* Most of the City's basic services (i.e., police, fire, streets, parks, etc.) are reported under this category. Taxes and intergovernmental revenues generally fund these services. The City's governmental activities include general government, public safety, highways and streets, transportation, sanitation and sewers, culture and recreation, conservation, and community development.
2. *Business-type Activities:* The City charges fees to customers to help cover all or most of the cost of certain services it provides. The City operates six business-type activities that reflect private sector type operations: The Niles Utilities Department (Electric, Water, and Sewer services), Silverbrook Cemetery, Jerry Tyler Memorial Airport, and Plym Park Golf Course.
3. *Discretely Presented Component Units:* Component units are legally separate organizations over which the City (the City Council acting as a group) can exercise influence and/or for which the City is financially accountable. The City of Niles has one component unit: the Niles Housing Commission. Financial information for this component unit is presented separately from that of the primary government. The focus of the statements is clearly on the primary government; however, the presentation allows the user to address the relative relationship with the component unit.

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. These statements provide more detailed information about the City's most significant funds (Major Funds), not the City as a whole. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to maintain control over resources that have been segregated for specific activities or objectives. In addition to major funds, the City presents individual fund data for nonmajor funds in the supplementary information section. All the funds of the City can be divided into three categories: governmental, proprietary, and fiduciary. Each category uses different accounting approaches.

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund statements are presented on a modified accrual basis, which focuses on the near-term sources and uses of available resources. This is the manner in which the budget is typically developed. The City establishes funds for various purposes; and the Fund Financial Statements allow the demonstration of sources and uses and/or budgetary compliance associated therewith. Governmental funds include the general fund, special revenue funds, capital project funds, and debt service funds.

CITY OF NILES, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

The focus of governmental funds (current financial resources) is narrower than that of the government-wide financial statements (total economic resources). Therefore, the reader may better understand the long-term impact of the City's near-term financing decisions by comparing information presented for governmental funds with the information presented for the governmental activities in the government-wide financial statements. Both the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison.

Proprietary Funds:

Proprietary funds are used to account for services provided by the City where the City charges customers (whether external or internal) for the services it provides. These funds use accrual accounting; the same method used by private sector businesses. The City maintains one type of proprietary fund: enterprise. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Utility Department services (electric, water, and sewer), Silverbrook Cemetery, Jerry Tyler Memorial Airport, and Plym Park Golf Course.

Fiduciary Funds:

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. While these funds represent trust responsibilities of the City, these assets are restricted in purpose and do not represent discretionary assets of the City. Therefore, these assets are not reflected in the government-wide financial statements. The City acts as a trustee or fiduciary for its employee pension plan. It is a trustee/agent for the other governmental units for which it collects tax payments. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These funds are reported using accrual accounting.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Additional Required Supplementary Information

Following the basic financial statements is additional required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes budgetary comparison schedules.

Nonmajor Government Funds

Following the required supplementary information is combining financial statements for nonmajor governmental funds. These funds are added together and presented in a single column in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements. This section also includes budgetary comparison schedules for these funds.

Other Supplementary Information

Other supplementary information includes a combining statement of Changes in Assets and Liabilities for all agency funds, general obligation bonds principal and interest requirements, along with detailed schedules for the Dial-A-Ride Transportation Fund.

CITY OF NILES, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government as a Whole

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City's case, assets exceeded its liabilities at the end of the fiscal year by \$32,390,365. However, a major portion of the City's net assets (81%) represents its investment in capital assets (e.g., land, buildings, equipment, electric, water and sewer plant and equipment). The City uses these capital assets to provide essential services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities. Not capitalized at this time is the City's total infrastructure, reporting of which is in transition and will be reported in future reports as the data compilation is completed.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2005	2004	2005	2004	2005
Current and other assets	\$ 9,246,121	\$ 8,784,221	\$ 13,865,239	\$ 9,588,204	\$ 23,111,360	\$ 18,372,425
Capital assets, net of accumulated depreciation	8,297,939	8,365,762	13,383,006	17,819,212	21,680,945	26,184,974
Total Assets	17,544,060	17,149,983	27,248,245	27,407,416	44,792,305	44,557,399
Long-term liabilities outstanding	1,704,423	1,636,242	5,826,746	5,765,345	7,531,169	7,401,587
Other liabilities	3,837,434	3,634,172	1,120,702	1,131,275	4,958,136	4,765,447
Total liabilities	5,541,857	5,270,414	6,947,448	6,896,620	12,489,305	12,167,034
Net Assets:						
Invested in capital, net of related debt	8,285,439	8,365,762	13,506,927	12,053,867	21,792,366	20,419,629
Restricted	2,879,649	2,407,874	2,169,745	2,169,745	5,049,394	4,577,619
Unrestricted	837,115	1,105,933	4,624,125	6,287,184	5,461,240	7,393,117
Total Net Assets	12,002,203	11,879,569	20,300,797	20,510,796	32,303,000	32,390,365
Restricted net assets include the following:						
Equipment replacement (sewer)	2,169,745	2,169,745				
Highways and streets	464,988	316,295				
Community development	1,272,566	944,338				
Transportation	314,985	330,564				
Other	827,110	816,677				
	\$ 5,049,394	\$ 4,577,619				

Except for the \$4,577,619 of restricted net assets, the City may use the remaining balance of unrestricted net assets of \$7,393,117 (23%) to meet its ongoing obligations to citizens and creditors. Further, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Niles' Change in Net Assets						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2005	2004	2005	2004	2005
Revenues:						
Program Revenues:						
Charges for services	\$ 607,409	\$ 1,090,701	\$ 11,965,859	\$ 13,446,440	\$ 12,573,268	\$ 14,537,141
Operating grants	1,204,456	1,211,257	-	-	1,204,456	1,211,257
Capital grants	1,586,167	2,376,053	3,740	181,410	1,589,907	2,557,463
General Revenues:						
Taxes	2,973,216	3,130,177	-	-	2,973,216	3,130,177
State-shared revenues	1,492,904	1,486,431	-	-	1,492,904	1,486,431
Investment earnings	102,098	113,021	151,811	244,489	253,909	357,510
Insurance fund contributions	373,425	-	-	-	373,425	-
Other	108,544	231,656	60,144	88,543	168,688	300,199
Transfers	451,693	1,344,807	41,569	57,897	493,262	1,402,704
Total Revenues	8,899,912	10,984,103	12,223,123	13,998,779	21,123,035	24,982,882

CITY OF NILES, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2005	2004	2005	2004	2005
Expenses:						
General government	1,424,835	2,989,262	-	-	1,424,835	2,989,262
Public safety	3,363,121	3,461,983	-	-	3,363,121	3,461,983
Highway and streets	1,379,033	2,045,873	-	-	1,379,033	2,045,873
Transportation	828,609	789,317	-	-	828,609	789,317
Sanitation and sewers	467,982	221,093	-	-	467,982	221,093
Culture and recreation	235,503	256,590	-	-	235,503	256,590
Conservation	79,981	83,002	-	-	79,981	83,002
Community development	1,952,570	1,206,125	-	-	1,952,570	1,206,125
Other	567,777	53,492	-	-	567,777	53,492
Electric			9,008,383	9,504,283	9,008,383	9,504,283
Water			1,405,958	1,616,303	1,405,958	1,616,303
Sewage			2,192,519	2,274,951	2,192,519	2,274,951
Airport			28,365	39,391	28,365	39,391
Cemetery			142,514	147,360	142,514	147,360
Golf			214,440	206,492	214,440	206,492
Total Expenses	10,299,411	11,106,737	12,992,179	13,788,780	23,291,590	24,895,517
Increase in Net Assets	(1,399,499)	(122,634)	(769,056)	209,999	(2,168,555)	87,365
Net Assets, October 1, 2003 & 2004	13,401,702	12,002,203	21,069,853	20,300,797	34,471,555	32,303,000
Net Assets, September 30, 2004 & 2005	\$12,002,203	\$11,879,569	\$ 20,300,797	\$ 20,510,796	\$ 32,303,000	\$ 32,390,365

Governmental Activities:

Governmental activities reduced the City's net assets by \$122,634, a reduction of 1.02% from October 1, 2004.

General Fund Revenue - Actual

	2004		2005		Variance	
	Dollar	Percent	Dollar	Percent	Dollar	Percent
Taxes	\$ 2,675,787	30.74%	\$ 2,832,293	32.84%	\$ 156,506	5.85%
Federal revenues	48,203	0.55%	33,022	0.38%	(15,181)	-31.49%
State-shared revenues	1,496,909	17.20%	1,558,845	18.08%	61,936	4.14%
Investment income, ins receipts & penalties	468,074	5.38%	156,747	1.82%	(311,327)	-66.51%
Penalties and fees	12,152	0.14%	18,333	0.21%	6,181	50.86%
Fines and forfeitures	53,597	0.62%	53,036	0.62%	(561)	-1.05%
Licenses and permits	30,686	0.35%	28,342	0.33%	(2,344)	-7.64%
Tax collections fees	115,765	1.33%	101,342	1.18%	(14,423)	-12.46%
Charges for services	244,732	2.81%	540,319	6.27%	295,587	120.78%
Contributions	1,323,642	15.21%	1,497,376	17.36%	173,734	13.13%
Other	108,544	1.25%	96,443	1.12%	(12,101)	-11.15%
	6,578,091	75.57%	6,916,098	80.20%	338,007	5.14%
Proceeds from sale of assets	-	0.00%	83,584	0.97%	83,584	100.00%
Operating transfers in	2,126,244	24.43%	1,623,703	18.83%	(502,541)	-23.64%
Total Revenue	\$ 8,704,335	100.00%	\$ 8,623,385	100.00%	\$ (80,950)	-0.93%

Key General Fund revenue factors of this reduction are as follows:

- Federal revenue is attributable to: \$19,620 from a FireFighters Grant for the Fire Department and \$13,402 from a Local Law Enforcement Grant (LLEBG) for the Police Department.
- General Fund state-shared revenue of \$1,558,845 increased by \$61,936 or 4%. This line item reflects the following:
 - Attributable to Police Department \$ 8,534
 - Attributable to public safety(police/fire) from a State Homeland Security Grant \$ 4,830
 - Sales tax receipts (down by \$1,937 or 0.13% from last year) \$1,486,431
 - Telecommunication Rights-of-Way revenue attributable to FY2005 expenditures\$ 59,050
- General Fund investment earnings includes receipts for retirees insurance. This amount of \$156,747 declined by \$311,327 or 67% primarily as the result of reduced claims that reduced the receipts necessary to cover such paid claims.

CITY OF NILES, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

- General Fund InterFund revenue receipts were down by \$502,541 or 24%. The InterFund transfers were primarily attributable to:
 A decrease of \$1,121,827 from the Industrial Park Fund to cover construction payments for the new Fire Station.
 An increase of \$405,533 from the Electric Utility Fund reflecting the new PILOT (payment in lieu of taxes) agreement for a full year between the City and the Electric Division effective May 2004.

Expenditures:

General Fund Expenditures - Actual

	2004		2005		Variance	
	Dollar	Percent	Dollar	Percent	Dollar	Percent
General Government						
Council	\$ 236,753	2.43%	\$ 135,783	1.60%	\$ (100,970)	-42.65%
Legal	56,239	0.58%	66,405	0.78%	10,166	18.08%
Administrator's office	155,692	1.60%	156,266	1.84%	574	0.37%
Clerk's office	84,171	0.86%	85,501	1.01%	1,330	1.58%
Treasurer's office	163,946	1.68%	123,265	1.45%	(40,681)	-24.81%
Management services	154,293	1.58%	211,566	2.49%	57,273	37.12%
Building maintenance	218,735	2.24%	325,023	3.83%	106,288	48.59%
Assessor's office	129,046	1.32%	83,440	0.98%	(45,606)	-35.34%
Community Development and Planning	94,115	0.97%	91,434	1.08%	(2,681)	-2.85%
Property and liability insurance	157,760	1.62%	154,939	1.83%	(2,821)	-1.79%
General contingency	51,415	0.53%	10,569	0.12%	(40,846)	-79.44%
Emergency operations center	5,254	0.05%	4,831	0.06%	(423)	-8.05%
Insurance Fund (Self-insured medical)	1,736,145	17.81%	1,601,122	18.87%	(135,023)	-7.78%
Miscellaneous			51,059	0.60%	51,059	100.00%
	<u>3,243,564</u>	<u>33.27%</u>	<u>3,101,203</u>	<u>36.54%</u>	<u>(58,397)</u>	<u>-1.80%</u>
Public Safety						
Police Department	2,222,888	22.80%	2,261,048	26.64%	38,160	1.72%
Fire Department	2,259,841	23.18%	1,158,799	13.66%	(1,101,042)	-48.72%
	<u>4,482,729</u>	<u>45.97%</u>	<u>3,419,847</u>	<u>40.30%</u>	<u>(1,062,882)</u>	<u>-23.71%</u>
Highways and Streets						
Highways, streets and bridges	469,269	4.81%	470,541	5.54%	1,272	0.27%
Engineering	194,949	2.00%	185,951	2.19%	(8,998)	-4.62%
Other	162,012	1.66%	250,719	2.95%	88,707	54.75%
	<u>826,230</u>	<u>8.47%</u>	<u>907,211</u>	<u>10.69%</u>	<u>80,981</u>	<u>9.80%</u>
Transportation						
Motor vehicle pool	142,083	1.46%	73,064	0.86%	(69,019)	-48.58%
Sanitation						
Leap pick-up and chipping	288,454	2.96%	52,685	0.62%	(235,769)	-81.74%
Culture and Recreation						
Museum	69,367	0.71%	74,706	0.88%	5,339	7.70%
Parks and Recreation Department	230,752	2.37%	115,957	1.37%	(114,795)	-49.75%
	<u>300,119</u>	<u>3.08%</u>	<u>190,663</u>	<u>2.25%</u>	<u>(109,456)</u>	<u>-36.47%</u>
Conservation						
Tree trimming	54,979	0.56%	52,613	0.62%	(2,366)	-4.30%
Tree removal	25,002	0.26%	30,389	0.36%	5,387	21.55%
	<u>79,981</u>	<u>0.82%</u>	<u>83,002</u>	<u>0.98%</u>	<u>3,021</u>	<u>3.78%</u>
Debt service	121,566	1.25%	97,175	1.15%	(24,391)	-20.06%
Operating transfers out	265,871	2.73%	561,202	6.61%	295,331	111.08%
Total Expenditures	<u>\$ 9,750,597</u>	<u>100.00%</u>	<u>\$ 8,486,052</u>	<u>100.00%</u>	<u>\$ (1,180,581)</u>	<u>-12.11%</u>

CITY OF NILES, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

Key General Fund expenditure factors are as follows:

- Employee Insurance Costs – because the City has a self-funded Plan an increase in paid claims required additional General Fund contributions to the Insurance Fund of \$117,975 over the budgeted expenditures of \$662,850 for a total of \$827,700.
- Transfers Out – include a \$50,000 InterFund Transfer to the CHIP Fund 282 to fund the fascade removal expense under the downtown streetscape project.
- Management Services – while expenditures increased by \$57,273 or 37% over last year, they were \$39,965 or 23% over budget. The increase is attributable to:

Fringe benefit expense	\$ 5,251
Wage expense	\$ 8,576
Computer expense - increase attributable to city-wide computer network and city share of accounting software conversion cost	\$15,362
Office equipment capital outlay	\$ 7,837
Audit fees	\$14,260
- Other Department decreased costs – many of the General Fund departments show an expenditure decrease from last year. This is due primarily to the additional storm-related damages incurred during FY2004 totaling \$233,213, \$220,916 of which was incurred alone by the Sanitation Department.

Business-Type Activities:

Revenue:

Business-type activities increased the City's net assets by \$209,999 or 1.03% from last October 1, 2004. Key factors of this increase are as follows:

- Electric Fund – operating revenues of \$9,495,616 increased by \$1,012,098 or 12%. Net earnings increased by \$527,852 or 129% to \$106,871. Contributing to the increase in operating revenue was a 6.4% rate increase effective May 1, 2005.
- Water Fund – operating revenues of \$1,730,154 increased by \$265,679 or 18% from last year. Net earnings totaled \$217,650, an increase of \$81,389 or 60% from last year. A 14% water rate increase was effective on March 1, 2005.
- Sewage Fund – operating revenues of \$1,931,979 increased by \$208,045 or 12% from last year. Net losses totaled \$103,593, an increase of \$332,248 or 76% from last year.

Financial Analysis of the City's Funds

As the City completed the year, its governmental funds reported combined fund equity of \$5,113,339. Of this total amount, \$4,296,256 (84%) was undesignated fund balance, which is available for appropriations for the general purpose of the funds. The remainder of the fund balance is reserved and is not available for new spending because it has already been dedicated for various commitments.

General Fund

The General Fund is the chief operating fund of the City. As the end of the current fiscal year, unreserved undesignated fund balance was \$1,934,225, an increase of \$209,627 from 2004, and the designated fund balance was \$534,819, a decrease of \$72,294 from 2004. Total fund balance increased \$137,333 during the fiscal year, \$422,187 more than the \$284,854 budgeted deficit. Specific identification of various revenue and expenditure items may be referenced on pages 7-10.

CITY OF NILES, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets and Debt Administration

Capital Assets:

The City investment in capital assets for its governmental and business-type activities as of September 30, 2005 amounts to \$26,184,974 (net of accumulated depreciation). This investment includes a broad range of assets which are detailed below. The total increase in the City's net investment in capital assets for the current fiscal year was approximately \$67,823 or 0.8% for governmental activities and an approximately \$4,436,206 increase or 33% for business-type activities. As reported on page 7, not capitalized at this time are the total infrastructure assets (public domain assets such as roads, bridges, curbs and gutters, streets and sidewalks), reporting of which is in transition and will be reported in future reports as the data compilation is completed. New infrastructure assets capitalized in the current year totaled \$207,089 (new street extension in Industrial Park).

Net Capital Assets at Year End
(Net of depreciation - in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2005	2004	2005	2004	2005
Capital assets not depreciated:						
Land	\$ 2,164	\$ 2,319	\$ 388	\$ 451	\$ 2,552	\$ 2,770
Construction in progress			1,408	3,796	1,408	3,796
Capital assets being depreciated:						
Improvements, other than buildings	473	446	2,287	3,714	2,760	4,160
Buildings	2,774	2,694	3,452	3,243	6,226	5,937
Equipment	960	913	5,848	6,615	6,808	7,528
Office equipment & furniture	182	162	-	-	182	162
Vehicles	1,745	1,629	-	-	1,745	1,629
Infrastructure	-	203	-	-	-	203
Net Capital Assets	\$ 8,298	\$ 8,366	\$ 13,383	\$ 17,819	\$ 21,681	\$ 26,185

This year's major capital expenditures included:

Governmental Activities:

- Land Purchases
Additional land purchase to complete sale of State Police Building - \$3,400. Property later sold on May 19, 2005 for \$83,134.
- Management Services
Upgrades to city-wide computer network - \$7,952
- Police Department:
Audio and video surveillance equipment - \$11,065
3 new vehicles - \$69,753
- Street Department:
New copier (engineers office) - \$6,361
New 2005 Ford P/U - \$12,541
- Fire Department
Construction costs of new fire station - \$77,087
Safety equipment - \$23,126 (net of \$2,580 contribution)
- Emergency Operations Center
Radio siren controller - \$3,339
- Major Highway Fund 202
Land purchase for intersection improvement at Silverbrook & Third Streets - \$3,075
- Economic Development Fund
Land at Fifth & Main (Gary's Standard Property) - \$151,609 (purchased during 2001)

CITY OF NILES, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Industrial Park Fund
New extension of Industrial Drive Road - \$207,089
- Dial-a-Ride Transportation (DART) Fund:
Outside lighting fixtures and storage shed - \$7,459
2 new buses - \$106,030

Business-Type Activities:

- Electric Fund – additions totaled \$633,948. Significant expenditures are described below.
Transmission Plant – switching station equipment and overhead conductors - \$5,300
Distribution Plant:
Additions to poles, towers, and fixtures - \$11,171
Upgrades to commercial overhead system - \$15,869
Underground conductors and devices - \$26,102
Transformer upgrades and installation - \$55,386
Services - \$17,604
New meter purchases - \$34,113
Installation of new street lights - \$191,296
General Plant:
Electric share of city-wide computer network upgrades - \$6,560
Accounting/Billing software conversion - \$248,674
Radio system upgrades - \$5,212
Phone system at Service Center - \$4,160
- WasteWater Fund – expenditures totaled \$723,713
Processing plant - \$16,600
Storm sewers (CSO) - \$702,223
- Water Fund – current year expenditures totaled \$1,633,908
Automatic well control system - \$3,700
Land for Carberry Road elevated tank - \$63,156
Carberry Road elevated tank - \$911,717
Property easement – booster station - \$40,950
Booster station - \$492,199
Water mains and services - \$94,595
New meter purchases - \$11,114
General Plant:
Water share of city-wide computer network upgrades - \$4,296
Radio system upgrades - \$3,475
Phone system at Service Center - \$2,773
- Airport Fund
Taxi Street paving work - \$7,433
Snow removal equipment building - \$6,081

Long-Term Debt

At the end of the fiscal year, the City had total long-term debt outstanding of \$7,401,587. Of this amount \$505,000 in General Obligation Bonds relates to the acquisition and construction of the addition to the existing Niles District Library facility by the Building Authority. The City has a lease with the Building Authority to pay rental equal to the sums necessary to retire the Building Authority's bonds which are limited tax full faith and credit general obligations of the City. \$5,765,345 relates to the City of Niles Limited Tax General Obligation Bonds, Series 2004, for water infrastructure improvements. These improvements consist of a water filtration plant, a new water tower, and a booster station for a new intermediate pressure district. The \$486,786 amount of installment loans and capital leases is secured by the assets purchased.

CITY OF NILES, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

Other long-term obligations totaling \$644,456 represent accrued compensated absences and life insurance benefits. Additional information is presented in Note 7 to the basic financial statements.

Outstanding Debt at Year End
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2005	2004	2005	2004	2005
General obligation bonds (backed by the City)	\$ 530,000	\$ 505,000	\$ 5,826,746	\$ 5,765,345	\$ 6,356,746	\$ 6,270,345
Installment loans payable	12,500	-			12,500	-
Capital lease payable	543,839	486,786			543,839	486,786
Other liabilities:						
Accrued vacation and sick pay	598,084	624,456			598,084	624,456
Retiree life insurance benefit	20,000	20,000			20,000	20,000
Long-Term Debt	\$ 1,704,423	\$ 1,636,242	\$ 5,826,746	\$ 5,765,345	\$ 7,531,169	\$ 7,401,587

Economic Condition and Outlook

The City has continued to struggle with declining state revenue sharing receipts over the last several years while attempting to provide the same level of service at continually increasing costs like higher gasoline prices, natural gas costs, and increased employee medical claims. The result will continue to be a bare bones budget. If the balanced budget is realized for FY2006, the City's *unreserved undesignated* fund balance will remain at \$1,934,225 or 29% of General Fund revenues.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances to its citizens, customers, investors, and creditors and to demonstrate the City's accountability for the money it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to the following:

Finance Director/City Treasurer
City of Niles Finance Office
322 East Main Street
P. O. Box 217
Niles, MI 49120-0217

CITY OF NILES, MICHIGAN
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Notes 2 and 3)	\$ 3,711,486	\$ 6,619,059	\$ 10,330,545	\$ 12,320
Investments (Notes 2 and 3)	3,349,047	1,000,000	4,349,047	281,906
Receivables (net, where applicable, of allowances for uncollectibles):				
Taxes	309,517	-	309,517	-
Special assessments	22,729	-	22,729	-
State and federal revenues	559,991	346,124	906,115	-
Accounts	340,806	856,761	1,197,567	13,707
Internal balances	88,039	(88,039)	-	-
Miscellaneous	-	23,908	23,908	-
Accrued interest	3,521	34,514	38,035	-
Due from fiduciary funds	10,090	-	10,090	-
Notes receivable (Note 4)	372,913	-	372,913	-
Inventories (Note 2)	16,082	663,659	679,741	-
Prepaid expenses	-	14,790	14,790	1,026
Deferred bond issuance costs	-	117,428	117,428	-
Property, plant and equipment, less accumulated depreciation (Notes 2 and 6)	<u>8,365,762</u>	<u>17,819,212</u>	<u>26,184,974</u>	<u>2,201,352</u>
Total assets	<u>\$ 17,149,983</u>	<u>\$ 27,407,416</u>	<u>\$ 44,557,399</u>	<u>\$ 2,510,311</u>
Liabilities				
Accounts payable	\$ 269,924	\$ 897,083	\$ 1,167,007	\$ 24,402
Contingent property taxes payable (Note 2)	11,000	-	11,000	-
Accrued expenses	366,559	31,719	398,278	72,743
Customer deposits	-	177,365	177,365	-
Due to fiduciary funds	56,148	732	56,880	-
Due to other entities	394	-	394	-
Deferred revenues (Note 2)	2,922,074	-	2,922,074	-
Other liabilities	8,073	24,376	32,449	-
Non-current liabilities (Note 7)				
Due within one year	262,873	185,000	447,873	-
Due in more than one year	<u>1,373,369</u>	<u>5,580,345</u>	<u>6,953,714</u>	<u>13,960</u>
Total liabilities	<u>5,270,414</u>	<u>6,896,620</u>	<u>12,167,034</u>	<u>111,105</u>
Net Assets				
Invested in capital assets (net of related debt)	8,365,762	12,053,867	20,419,629	2,201,352
Restricted for:				
Equipment replacement	-	2,169,745	2,169,745	-
Highways and streets	316,295	-	316,295	-
Community development	944,338	-	944,338	-
Transportation	330,564	-	330,564	-
Other	816,677	-	816,677	-
Unrestricted	<u>1,105,933</u>	<u>6,287,184</u>	<u>7,393,117</u>	<u>197,854</u>
Total net assets	<u>\$ 11,879,569</u>	<u>\$ 20,510,796</u>	<u>\$ 32,390,365</u>	<u>\$ 2,399,206</u>

See accompanying notes to basic financial statements.

CITY OF NILES, MICHIGAN
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2005

Functions/ Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total	Component Unit	
Primary Government:									
Governmental activities:									
General government	\$ 2,989,262	281,000	\$ -	\$ 1,492,200	\$ (1,216,062)	\$ -	\$ (1,216,062)	\$ -	
Public safety	3,461,983	445,473	51,562	22,026	(2,942,922)	-	(2,942,922)	-	
Highways and streets	2,045,873	101,602	803,806	-	(1,140,465)	-	(1,140,465)	-	
Transportation	789,317	119,521	296,820	233,472	(139,504)	-	(139,504)	-	
Sanitation and sewers	221,093	1,151	-	-	(219,942)	-	(219,942)	-	
Culture and recreation	256,590	578	-	-	(256,012)	-	(256,012)	-	
Conservation	83,002	-	-	-	(83,002)	-	(83,002)	-	
Community development	1,206,125	141,376	59,069	628,355	(377,325)	-	(377,325)	-	
Interest and fiscal agent fees	53,492	-	-	-	(53,492)	-	(53,492)	-	
Total governmental activities	11,106,737	1,090,701	1,211,257	2,376,053	(6,428,726)	-	(6,428,726)	-	
Business-type activities:									
Electric	9,504,283	9,495,616	-	5,363	-	(3,304)	(3,304)	-	
Water	1,616,303	1,730,154	-	-	-	113,851	113,851	-	
Sewage	2,274,951	1,931,979	-	176,047	-	(166,925)	(166,925)	-	
Airport	39,391	31,429	-	-	-	(7,962)	(7,962)	-	
Cemetery	147,360	84,001	-	-	-	(63,359)	(63,359)	-	
Golf	206,492	173,261	-	-	-	(33,231)	(33,231)	-	
Total business-type activities	13,788,780	13,446,440	-	181,410	-	(160,930)	(160,930)	-	
Total primary government	\$ 24,895,517	\$ 14,537,141	\$ 1,211,257	\$ 2,557,463	\$ (6,428,726)	\$ (160,930)	\$ (6,589,656)	\$ -	
Component Unit									
Niles Housing Commission	\$ 899,738	\$ 427,910	\$ 478,608	\$ -	\$ -	\$ -	\$ -	\$ 6,780	
General Revenues:									
Taxes:									
Property taxes, levied for general purposes					2,627,250	-	2,627,250	-	
Property taxes, levied for transportation purposes					101,205	-	101,205	-	
Property taxes, levied for community development purposes					77,004	-	77,004	-	
Industrial/commercial facilities					49,948	-	49,948	-	
Payments in lieu of taxes					39,502	-	39,502	-	
Penalties and interest on delinquent property taxes					133,926	-	133,926	-	
Tax administration fees					101,342	-	101,342	-	
State-shared revenues					1,486,431	-	1,486,431	-	
Investment earnings					113,021	244,489	357,510	8,610	
Gain on sale of assets					63,213	31,431	94,644	-	
Miscellaneous revenues					168,443	37,112	205,555	-	
Transfers					1,344,807	57,897	1,402,704	-	
Total general revenues					6,306,092	370,929	6,677,021	8,610	
Change in net assets					(122,634)	209,999	87,365	15,390	
Net assets, beginning of year					12,002,203	20,300,797	32,303,000	2,383,816	
Net assets, end of year					\$ 11,879,569	\$ 20,510,796	\$ 32,390,365	\$ 2,399,206	

See accompanying notes to basic financial statements.

CITY OF NILES, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash investments (Notes 2 and 3)	\$ 2,407,950	\$ 1,303,536	\$ 3,711,486
Investments (Notes 2 and 3)	2,527,732	821,315	3,349,047
Receivables (net, where applicable, of allowances for uncollectibles):			
Taxes	299,749	9,768	309,517
Special assessments	2,101	-	2,101
Special assessments - deferred	16,548	4,080	20,628
State and federal revenues	307,124	252,867	559,991
Accounts	-	340,806	340,806
Accrued interest	-	3,521	3,521
Notes receivable (Note 4)	-	372,913	372,913
Due from other funds (Note 8)	672,787	103,139	775,926
Due from fiduciary funds	-	10,090	10,090
Total assets	<u>\$ 6,233,991</u>	<u>\$ 3,222,035</u>	<u>\$ 9,456,026</u>
Liabilities			
Accounts payable	\$ 197,213	\$ 72,711	\$ 269,924
Accrued expenses	366,559	-	366,559
Contingent property taxes payable (Note 2)	11,000	-	11,000
Due to other funds (Note 8)	240,336	447,551	687,887
Due to fiduciary funds	56,148	-	56,148
Due to other entities	394	-	394
Other liabilities	8,073	-	8,073
Deferred revenues (Note 2)	<u>2,885,224</u>	<u>57,478</u>	<u>2,942,702</u>
Total liabilities	<u>3,764,947</u>	<u>577,740</u>	<u>4,342,687</u>
Fund Equity			
Unreserved reported in:			
General Fund			
Designated for county tax revolving fund	440,319	-	440,319
Designated for subsequent year's expenditures	94,500	-	94,500
Undesignated	1,934,225	-	1,934,225
Special Revenue Funds			
Designated for subsequent year's expenditures	-	266,214	266,214
Undesignated	-	1,384,972	1,384,972
Permanent Funds			
Designated for subsequent year's expenditures	-	16,050	16,050
Undesignated	-	800,627	800,627
Capital Projects Funds, undesignated	-	176,432	176,432
Total fund equity	<u>2,469,044</u>	<u>2,644,295</u>	<u>5,113,339</u>
Total liabilities and fund equity	<u>\$ 6,233,991</u>	<u>\$ 3,222,035</u>	<u>\$ 9,456,026</u>

See accompanying notes to basic financial statements.

CITY OF NILES, MICHIGAN
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

Total fund equity - Governmental funds	\$ 5,113,339
----------------------------------------	--------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Capital assets	15,590,956	
Less accumulated depreciation	<u>(7,225,194)</u>	
Net capital assets		8,365,762

Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Inventories	<u>16,082</u>	16,082
-------------	---------------	--------

Non-current liabilities reported in the statement of activities do not require the use of current financial resources and therefore are not reported in the governmental funds

Bonds payable	(505,000)	
Notes and capital leases payable	(486,786)	
Compensated absences	(624,456)	
Accrued retiree life insurance benefits	<u>(20,000)</u>	
Total non-current liabilities		(1,636,242)

Some of the shared revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in governmental funds

Revenue deferred in governmental funds	<u>20,628</u>
----------------------------------------	---------------

Net assets of governmental activities	<u>\$ 11,879,569</u>
---------------------------------------	----------------------

See accompanying notes to basic financial statements.

CITY OF NILES, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year ended September 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 2,832,293	\$ 178,209	\$ 3,010,502
Federal revenues	33,022	474,444	507,466
State-shared revenues	1,558,845	1,121,839	2,680,684
Investment income	156,747	62,370	219,117
Penalties and fees	18,333	2,350	20,683
Fines and forfeits	53,036	-	53,036
Licenses and permits	28,342	138,012	166,354
Tax collection fees	101,342	-	101,342
Charges for services	540,319	220,390	760,709
Contributions	1,497,376	357,720	1,855,096
Program revenues	-	5,622	5,622
Other	96,443	97,121	193,564
Total revenues	<u>6,916,098</u>	<u>2,658,077</u>	<u>9,574,175</u>
Expenditures			
General government	3,101,203	67	3,101,270
Public safety	3,419,847	-	3,419,847
Highways and streets	907,211	1,224,404	2,131,615
Transportation (Note 11)	73,064	740,414	813,478
Sanitation and sewers	52,685	168,408	221,093
Culture and recreation	190,663	-	190,663
Conservation	83,002	-	83,002
Community development	-	1,153,306	1,153,306
Debt service	97,175	50,870	148,045
Total expenditures	<u>7,924,850</u>	<u>3,337,469</u>	<u>11,262,319</u>
Deficiency of revenues under expenditures	<u>(1,008,752)</u>	<u>(679,392)</u>	<u>(1,688,144)</u>
Other financing sources (uses) (Note 9)			
Proceeds from sale of assets	83,584	342	83,926
Transfers in	1,623,703	929,370	2,553,073
Transfers out	(561,202)	(647,064)	(1,208,266)
Total other financing sources (uses)	<u>1,146,085</u>	<u>282,648</u>	<u>1,428,733</u>
Net change in fund balances	137,333	(396,744)	(259,411)
Fund balance at beginning of year	<u>2,331,711</u>	<u>3,041,039</u>	<u>5,372,750</u>
Fund balance at end of year	<u>\$ 2,469,044</u>	<u>\$ 2,644,295</u>	<u>\$ 5,113,339</u>

See accompanying notes to basic financial statements.

CITY OF NILES, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2005

Net change in fund balances - Governmental funds	\$	(259,411)
--------------------------------------------------	----	-----------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	699,664	
Less current year depreciation	<u>(611,470)</u>	
Capital outlay in excess of depreciation		88,194

Difference between the proceeds from sale of capital assets and the gain on sale of those assets	<u>(20,371)</u>	(20,371)
--------------------------------------------------------------------------------------------------	-----------------	----------

Governmental funds report inventory purchases as expenditures while governmental activities report the consumption of the inventory items as expenditures.

Decrease in inventories	<u>(793)</u>	(793)
-------------------------	--------------	-------

Repayment of bond principal is an expenditure in the governmental funds while the repayment reduces non-current liabilities in the statement of net assets	<u>94,553</u>	94,553
------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------	--------

Increase in compensated absences in statement of net assets not recorded in governmental funds	<u>(26,372)</u>	(26,372)
------------------------------------------------------------------------------------------------	-----------------	----------

Change in deferred income in governmental funds, not deferred in statement of net assets	<u>1,566</u>	<u>1,566</u>
------------------------------------------------------------------------------------------	--------------	--------------

Change in net assets of governmental activities	\$	<u>(122,634)</u>
-------------------------------------------------	----	------------------

See accompanying notes to basic financial statements.

CITY OF NILES, MICHIGAN
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
September 30, 2005

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewage Fund</u>	<u>Airport Fund</u>
Current assets				
Cash and cash equivalents	\$ 2,782,574	\$ 1,243,249	\$ 2,341,675	\$ 132,597
Investments, at amortized cost, which approximates market	1,000,000	-	-	-
Receivables:				
Customer accounts (net of allowance for doubtful accounts of \$30,000)	636,316	97,588	122,857	-
State and federal revenues	346,124	-	-	-
Miscellaneous	23,383	525	-	-
Due from other funds	897,578	8,888	4,205	751
Accrued interest	27,053	466	6,983	12
Inventories	604,982	58,677	-	-
Prepaid expenses	<u>5,633</u>	<u>4,361</u>	<u>4,796</u>	<u>-</u>
Total current assets	<u>6,323,643</u>	<u>1,413,754</u>	<u>2,480,516</u>	<u>133,360</u>
Deferred bond issuance costs	-	117,428	-	-
Property, plant and equipment				
Land	120,108	219,498	18,812	64,859
Improvements, other than buildings	310,525	6,315,780	-	269,140
Buildings	2,318,570	132,636	5,739,942	69,096
Machinery and equipment	13,749,199	599,858	15,008,678	98,039
Construction work in progress	<u>6,975</u>	<u>3,789,104</u>	<u>-</u>	<u>-</u>
	16,505,377	11,056,876	20,767,432	501,134
Less, accumulated depreciation	<u>11,472,153</u>	<u>3,505,106</u>	<u>15,887,761</u>	<u>328,975</u>
Net property, plant and equipment	<u>5,033,224</u>	<u>7,551,770</u>	<u>4,879,671</u>	<u>172,159</u>
Total assets	<u>\$ 11,356,867</u>	<u>\$ 9,082,952</u>	<u>\$ 7,360,187</u>	<u>\$ 305,519</u>

See accompanying notes to basic financial statements.

Cemetery <u>Fund</u>	Plym Park <u>Golf Fund</u>	<u>Totals</u>
\$ 76,155	\$ 42,809	\$ 6,619,059
-	-	1,000,000
-	-	856,761
-	-	346,124
-	-	23,908
7,082	189	918,693
-	-	34,514
-	-	663,659
-	-	14,790
<u>83,237</u>	<u>42,998</u>	<u>10,477,508</u>
-	-	117,428
20,000	7,555	450,832
42,172	6,936	6,944,553
26,618	64,048	8,350,910
131,326	346,273	29,933,373
-	-	3,796,079
220,116	424,812	49,475,747
<u>176,649</u>	<u>285,891</u>	<u>31,656,535</u>
<u>43,467</u>	<u>138,921</u>	<u>17,819,212</u>
<u>\$ 126,704</u>	<u>\$ 181,919</u>	<u>\$ 28,414,148</u>

CITY OF NILES, MICHIGAN
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2005

	Electric <u>Fund</u>	Water <u>Fund</u>	Sewage <u>Fund</u>	Airport <u>Fund</u>
Current liabilities				
Accounts payable	\$ 664,650	\$ 165,196	\$ 47,492	\$ 601
Accrued expenses	-	8,525	23,194	-
Customer deposits	142,766	33,599	1,000	-
Due to other funds	226,226	11	780,495	-
Due to fiduciary funds	732	-	-	-
Other liabilities	24,376	-	-	-
Current maturities of bonds payable	-	185,000	-	-
Total current liabilities	1,058,750	392,331	852,181	601
Long-term liabilities				
Bonds payable	-	5,580,345	-	-
Total liabilities	1,058,750	5,972,676	852,181	601
Net assets				
Invested in capital assets	5,033,224	1,786,425	4,879,671	172,159
Restricted for equipment replacement	-	-	2,169,745	-
Unrestricted	5,264,893	1,323,851	(541,410)	132,759
Total net assets	10,298,117	3,110,276	6,508,006	304,918
Total liabilities and net assets	\$ 11,356,867	\$ 9,082,952	\$ 7,360,187	\$ 305,519

See accompanying notes to basic financial statements.

Cemetery Fund	Plym Park Golf Fund	Totals
\$ 416	\$ 18,728	\$ 897,083
-	-	31,719
-	-	177,365
-	-	1,006,732
-	-	732
-	-	24,376
-	-	185,000
<u>416</u>	<u>18,728</u>	<u>2,323,007</u>
-	-	5,580,345
<u>416</u>	<u>18,728</u>	<u>7,903,352</u>
43,467	138,921	12,053,867
-	-	2,169,745
<u>82,821</u>	<u>24,270</u>	<u>6,287,184</u>
<u>126,288</u>	<u>163,191</u>	<u>20,510,796</u>
<u>\$ 126,704</u>	<u>\$ 181,919</u>	<u>\$ 28,414,148</u>

CITY OF NILES, MICHIGAN
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS
For the Year ended September 30, 2005

	Electric Fund	Water Fund	Sewage Fund	Airport Fund
Operating revenues				
Charges for services	\$ 9,387,816	\$ 1,706,886	\$ 1,912,795	\$ -
Penalties and fees	91,143	21,911	15,184	-
Rents and royalties	-	-	-	31,229
Other	16,657	1,357	4,000	200
Total operating revenues	<u>9,495,616</u>	<u>1,730,154</u>	<u>1,931,979</u>	<u>31,429</u>
Operating expenses				
Production	6,232,162	255,816	-	-
Transmission	28,668	-	-	-
Distribution	1,075,842	623,400	-	-
Depreciation and amortization	425,687	193,257	253,326	13,525
Processing	-	-	1,182,448	-
Sewage collection	-	-	165,063	-
Other operations	-	-	38,786	25,866
Administrative and general	1,207,687	545,345	635,780	-
	<u>8,970,046</u>	<u>1,617,818</u>	<u>2,275,403</u>	<u>39,391</u>
Less Distributed expenses	<u>132,159</u>	<u>30,901</u>	<u>452</u>	<u>-</u>
Net operating expenses	<u>8,837,887</u>	<u>1,586,917</u>	<u>2,274,951</u>	<u>39,391</u>
Operating income (loss)	<u>657,729</u>	<u>143,237</u>	<u>(342,972)</u>	<u>(7,962)</u>
Nonoperating revenues				
Interest, net	86,927	82,555	59,679	2,369
Rents	11,642	-	-	-
Gain on sale of assets	7,277	-	-	31,431
State grants	-	-	176,047	-
Tap fees	-	12,604	-	-
Other	9,692	8,640	3,653	-
Total nonoperating revenues	<u>115,538</u>	<u>103,799</u>	<u>239,379</u>	<u>33,800</u>
Services provided to City	<u>(666,396)</u>	<u>(29,386)</u>	<u>-</u>	<u>-</u>
Transfers				
Transfers in	-	-	-	627
Transfers out	-	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>627</u>
Net income (loss)	<u>106,871</u>	<u>217,650</u>	<u>(103,593)</u>	<u>26,465</u>
Net assets at beginning of year	<u>10,191,246</u>	<u>2,892,626</u>	<u>6,611,599</u>	<u>278,453</u>
Net assets at end of year	<u>\$ 10,298,117</u>	<u>\$ 3,110,276</u>	<u>\$ 6,508,006</u>	<u>\$ 304,918</u>

See accompanying notes to basic financial statements.

Cemetery Fund	Plym Park Golf Fund	Totals
\$ 84,001	\$ 119,060	\$ 13,210,558
-	-	128,238
-	52,525	83,754
-	1,676	23,890
<u>84,001</u>	<u>173,261</u>	<u>13,446,440</u>
-	-	6,487,978
-	-	28,668
-	-	1,699,242
11,392	22,585	919,772
-	-	1,182,448
-	-	165,063
135,968	183,907	384,527
-	-	2,388,812
<u>147,360</u>	<u>206,492</u>	<u>13,256,510</u>
-	-	163,512
<u>147,360</u>	<u>206,492</u>	<u>13,092,998</u>
<u>(63,359)</u>	<u>(33,231)</u>	<u>353,442</u>
1,481	445	233,456
-	-	11,642
-	-	38,708
-	-	176,047
-	-	12,604
-	-	21,985
<u>1,481</u>	<u>445</u>	<u>494,442</u>
-	-	(695,782)
49,281	7,989	57,897
-	-	-
<u>49,281</u>	<u>7,989</u>	<u>57,897</u>
(12,597)	(24,797)	209,999
<u>138,885</u>	<u>187,988</u>	<u>20,300,797</u>
<u>\$ 126,288</u>	<u>\$ 163,191</u>	<u>\$ 20,510,796</u>

CITY OF NILES, MICHIGAN
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year ended September 30, 2005

	Electric Fund	Water Fund	Sewage Fund	Airport Fund	Cemetery Fund	Plym Park Golf Fund	Totals
Cash flows from operating activities:							
Receipts from customers	\$ 10,329,817	\$ 1,738,918	\$ 2,448,858	\$ 31,229	\$ 84,000	\$ 119,060	\$ 14,751,882
Payments to suppliers	(8,169,476)	(621,374)	(1,320,655)	(25,407)	(72,301)	(69,661)	(10,278,874)
Payments to employees	(1,346,525)	(728,483)	(922,466)	-	(63,811)	(112,708)	(3,173,993)
Service provided to City	(666,396)	(29,386)	-	-	-	-	(695,782)
Other payments	(480,548)	(19,552)	(52,000)	(187)	-	-	(552,287)
Other receipts	-	-	-	-	42,200	61,990	104,190
Net cash from (used in) operating activities	(333,128)	340,123	153,737	5,635	(9,912)	(1,319)	155,136
Cash flows from capital and related financing activities:							
Repayment of bonds	-	(60,000)	-	-	-	-	(60,000)
Amortization of bond issuance costs and bond premium	-	5,092	-	-	-	-	5,092
Acquisition of capital assets	(354,006)	(4,791,339)	(234,296)	(13,514)	-	-	(5,393,155)
Net cash from (used in) by capital and related financing activities	(354,006)	(4,846,247)	(234,296)	(13,514)	-	-	(5,448,063)
Cash flows from investing activities:							
Nonoperating revenues	115,538	103,799	239,379	33,800	1,481	445	494,442
Purchase of investments	-	4,152,247	-	-	-	-	4,152,247
Net cash from (used in) investing activities	115,538	4,256,046	239,379	33,800	1,481	445	4,646,689
Net increase (decrease) in cash and cash investments	(571,596)	(250,078)	158,820	25,921	(8,431)	(874)	(646,238)
Cash and cash equivalents, beginning of year	3,354,170	1,493,327	2,182,855	106,676	84,586	43,683	7,265,297
Cash and cash equivalents, end of year	\$ 2,782,574	\$ 1,243,249	\$ 2,341,675	\$ 132,597	\$ 76,155	\$ 42,809	\$ 6,619,059
Reconciliation of operating income (loss) to net cash from (used in) operating activities:							
Operating income (loss)	\$ 657,729	\$ 143,237	\$ (342,972)	\$ (7,962)	\$ (63,359)	\$ (33,231)	\$ 353,442
Adjustments to reconcile operating income (loss) to net cash from (used in) operating activities:							
Depreciation	499,785	156,023	249,225	13,525	11,392	22,585	952,535
Transfers	-	-	-	627	49,281	7,989	57,897
Loss on sale of fixed assets	4,414	-	-	-	-	-	4,414
Services provided to City	(666,396)	(29,386)	-	-	-	-	(695,782)
Changes in operating assets and liabilities:							
Accounts receivable	(455,543)	(13,495)	(7,916)	-	-	-	(476,954)
Due from other funds	(348,862)	(7,932)	(4,205)	(751)	(7,082)	(189)	(369,021)
Due to other funds	2,407	(15,460)	294,284	(263)	-	(9)	280,959
Accrued interest	(2,838)	6,523	(6,036)	-	-	-	(2,351)
Inventories	20,737	11,716	7,610	-	-	-	40,063
Prepaid expenses	(90)	(130)	311	-	-	-	91
Accounts payable	(51,954)	82,790	(41,758)	459	(144)	1,536	(9,071)
Accrued expenses	(42,345)	-	4,194	-	-	-	(38,151)
Other liabilities	24,376	-	-	-	-	-	24,376
Customer deposits	25,452	6,237	1,000	-	-	-	32,689
Net cash from (used in) operating activities	\$ (333,128)	\$ 340,123	\$ 153,737	\$ 5,635	\$ (9,912)	\$ (1,319)	\$ 155,136

See accompanying notes to basic financial statements.

CITY OF NILES, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2005

	Pension Reserve Trust <u>Fund</u>	Agency <u>Funds</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 153,468	\$ 262,685	\$ 416,153
Taxes receivable	-	201,114	201,114
Due from primary government	<u>698</u>	<u>56,182</u>	<u>56,880</u>
	<u>154,166</u>	<u>519,981</u>	<u>674,147</u>
Investments, at market value, cost of \$27,488,042 in pooled collective funds of financial institutions	<u>28,093,345</u>	<u>-</u>	<u>28,093,345</u>
Total assets	<u>\$ 28,247,511</u>	<u>\$ 519,981</u>	<u>\$ 28,767,492</u>
Liabilities			
Current liabilities			
Due to primary government	\$ -	\$ 10,090	\$ 10,090
Due to other taxing units	<u>-</u>	<u>509,891</u>	<u>509,891</u>
Total current liabilities	<u>-</u>	<u>519,981</u>	<u>519,981</u>
Net Assets			
Reserved for employees' retirement system	<u>\$ 28,247,511</u>	<u>\$ -</u>	<u>\$ 28,247,511</u>

See accompanying notes to basic financial statements.

CITY OF NILES, MICHIGAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year ended September 30, 2005

	Pension Reserve Trust <u>Fund</u>
Additions	
Contributions:	
Employer contributions	\$ 153,957
Employee contributions	<u>396,238</u>
Total contributions	<u>550,195</u>
Investment income:	
Interest and dividend income	720,572
Realized gains	2,658,237
Unrealized losses	<u>(609,875)</u>
Total investment earnings	2,768,934
Less investment expenses:	
Trustee fees	<u>151</u>
Net investment income	<u>2,768,783</u>
Total additions	<u>3,318,978</u>
Deductions	
Benefit payments	1,616,073
Refunds	60,271
Actuarial fees	<u>155,456</u>
Total deductions	<u>1,831,800</u>
Net increase in net assets	1,487,178
Net assets held in Trust for pension benefits at beginning of year	<u>26,760,333</u>
Net assets held in Trust for pension benefits at end of year	<u>\$ 28,247,511</u>

See accompanying notes to basic financial statements.

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 1 - REPORTING ENTITY

The City of Niles, Michigan (the "City") was incorporated on November 26, 1979 under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Administrator form of government and provides the following services: public safety (police and fire), highways and streets, utilities (electric, water and sewer), culture and recreation, public improvement, transportation, planning and zoning and general administrative services.

As required by *Governmental Accounting Standards Board Statement No. 14*, "The Financial Reporting Entity", the accompanying basic financial statements present the funds administered by the City (primary government) and its component unit, the Niles Housing Commission ("Housing Commission"). The component unit is discretely presented as a separate column in the basic financial statements to emphasize it is legally separate from the City.

The Housing Commission has a five member governing board which is appointed by the City Administrator. The Housing Commission provides safe, sanitary and decent housing for qualifying senior and low income families in the City. The Housing Commission determines its own budget, subject to federal approval, sets rental rates and may issue debt in its own name. The City is not responsible for deficits or liabilities of the Housing Commission and does not have the ability to influence its day-to-day operations. However, the City does provide some services at no charge to the Housing Commission and the Housing Commission makes payments in lieu of taxes to the City, thus the City is considered to be financially accountable for the Housing Commission. The Housing Commission has a December 31 fiscal year and, accordingly, the financial statements of the component unit included discretely herein are as of and for the year ended December 31, 2004.

The City of Niles Building Authority (the "Building Authority") was established on September 8, 1997 to acquire and construct property and buildings for use for any legitimate public purpose of the City. The Building Authority has a three member governing commission which is made up of three City officers. Specifically, it was created to acquire and construct an addition to the existing Niles District Library facility. The Building Authority issued bonds to finance part of the estimated cost of this project and the City entered into a lease agreement with the Building Authority to pay rental to the Building Authority in amounts equal to all sums necessary to retire the principal and interest on these bonds (see Note 7).

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 1 - REPORTING ENTITY (Continued)

The City entered into a sublease agreement with the Niles Community Library (the "Library") whereby the Library assumed all of the City's obligations to pay the rentals as defined in the primary lease between the City and the Building Authority. Due to the nature of these leases, the City is considered to be financially accountable for the Building Authority and as such, the Building Authority is considered to be a component unit of the City. As the Building Authority provides services entirely to the City, this component unit has been included in the City's basic financial statements using the blending method. The Building Authority has a September 30 fiscal year end and, accordingly, the financial statements of the component unit included herein are as of and for the year ended September 30, 2005.

The Niles Community Library and Niles Community Schools are considered to be separate entities and are not included in the City's basic financial statements as the City does not have control over either of these entities' board member appointments nor does it have significant influence over the operations or fiscal management of these entities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City conform to accounting principles generally accepted in the United States of America applicable to governments. The following is a summary of the more significant policies.

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as receivable in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Deferred revenues are recorded because the September general tax levy will be the budgeted revenues for the subsequent fiscal year. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Governmental funds expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to accumulated unpaid vacation, sick pay, and other employee amounts, are recorded only when payment is due.

On the governmental funds statement, state-shared revenues, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all the resources traditionally associated with governments which are not required to be accounted for in another fund (administration, police, fire, engineering, streets and highways, etc.)

Other Governmental Funds is the summarization of all of the nonmajor governmental funds.

The City reports the following major proprietary funds:

The *Electric Fund* accounts for the operation and maintenance of the City's electric system. Financing is provided primarily by residential and commercial user charges.

The *Sewage Fund* accounts for the operation and maintenance of the City's sewage disposal system, which includes a wastewater treatment plant, diversion chambers, lift stations and meters. Financing is provided primarily by residential and commercial user charges from the City and surrounding municipalities.

The *Water Fund* accounts for the operation and maintenance of the City's water network of wells, towers and mains. Financing is provided primarily by residential and commercial user charges from the City and surrounding municipalities.

The *Airport Fund* accounts for the operation and maintenance of the City's municipal airport. Financing is provided primarily by property rental and contributions from other funds.

The *Cemetery Fund* accounts for the operation and maintenance of the City's cemetery. Financing is provided by lot and vault sales, user charges and transfers from the Cemetery Endowment Permanent Fund.

The *Phym Park Golf Fund* accounts for the operation and maintenance of the City's nine-hole golf course. Financing is provided by user charges and cart rentals.

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the City reports the following other fund types:

The *Pension Reserve Trust Fund* accounts for the accumulation and payment of resources for the City's defined benefit pension plan, which provides retirement benefits for its qualifying retired employees. Resources are contributed to the fund from the various funds of the City at amounts determined by an annual actuarial study and are accumulated in a trust fund maintained at Fifth Third Bank.

The *Agency Fund* accounts for the collection and distribution of property taxes for Berrien County, Niles Community Schools and other taxing authorities, collected by the City on their behalf.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's electric, water and sewage functions and various other functions of the government. Elimination of these charges would distort costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets and Budgetary Accounting.

The City follows these procedures in establishing the budgetary data reflected in the supplementary information:

1. Prior to July 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Senior Citizen Center of Niles to obtain taxpayer comments.
3. Prior to September 1, the budget is legally enacted through passage of a resolution.
4. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Improvement Funds and Debt Service Funds.
6. Budgets for the General, Special Revenue, Capital Improvement and Debt Service Funds are adopted on a modified accrual basis consistent with accounting principles generally accepted in the United States of America ("GAAP"). Budgeted amounts, included herein, are as originally adopted on August 23, 2004.

D. Cash Equivalents

For purposes of the proprietary funds statements of cash flows, the City considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

E. Investments.

Investments, other than short-term investments, are carried at fair value in accordance with *Governmental Accounting Standards Board Statement No. 31, "Certain Investments and External Investment Pools"*.

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventories.

Inventories of the Proprietary Funds are valued at average unit cost, which is not in excess of market. Inventories of the General Fund and Special Revenue Funds consist of expendable supplies held for consumption, and the costs are recorded as expenditures at the time these supply items are purchased in the fund financial statements but are recorded as inventories in the government-wide financial statements.

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns of the government-wide financial statements. Capital assets are defined by the City as tangible property having a useful life in excess of 3 years and whose cost exceeds \$2,000.

All capital assets are carried at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at their estimated fair value on the date donated. Balances of infrastructure assets (public domain assets such as roads, bridges, curbs and gutters, streets and sidewalks) acquired prior to October 1, 2004 are not included in the capital assets as of September 30, 2005. There were infrastructure assets acquired in the current year aggregating \$207,089.

Depreciation of all exhaustible capital assets by the City is charged as an expense against its various functions. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	25 - 50 years
Infrastructure	25 - 50 years
Improvements	10 - 30 years
Equipment	3 - 10 years
Vehicles and heavy equipment	3 - 15 years

H. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt, notes, and other obligations are reported as liabilities in the applicable governmental activities and business-type activities statements of net assets, or proprietary fund type balance sheets.

In the fund financial statements, governmental fund types report the face amount of debt as other financing sources and principal payments of long-term debt as expenditures.

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

J. Property Taxes

The City property tax is levied each July 1 on the state equalized value of property located in the City as of the preceding December 31. Taxes are due on the date levied and become delinquent on February 15 of the year following the levy. Delinquent property taxes are turned over to the County for collection on March 1.

Although the City ad valorem tax is levied and collectible on July 1 and due without penalty on or before September 15, it is the City's policy to recognize revenue from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of operations.

The City receives a large portion of its operating revenues from its property tax millage. Berrien County issues general obligation bonds and remits to the City its full portion of the unpaid delinquent real property tax levy, with the requirement that the City return to the County any tax later determined to be uncollectible, plus interest. Accordingly, contingent property taxes payable are reflected in the basic financial statements based upon the historical experience of the City's uncollectible real property tax receivable.

The 2005 taxable valuation of the City totaled \$200,511,589, on which ad valorem taxes levied consisted of 14.133 mills for City operating purposes and .500 mills for Dial-A-Ride Transportation (DART) services, raising approximately \$2,834,000 for operating and \$100,000 for DART. These amounts are recognized in the respective General and DART Fund financial statements.

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. As of September 30, 2005, the various components of deferred revenues are as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes	\$ 2,885,224	\$ (16,548)	\$ 2,868,676
Special assessments	20,628	-	20,628
Grant drawdowns	<u>53,398</u>	<u>-</u>	<u>53,398</u>
Total	<u>\$ 2,959,250</u>	<u>\$ (16,548)</u>	<u>\$ 2,942,702</u>

K. Deferred Compensation.

Effective January 1, 1999, the City adopted *Governmental Accounting Standards Board Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans"*, which provides that such plans will not be considered eligible plans unless all assets and income of the plan described in subsection (b)(6) are held in trust for the exclusive benefit of the participants and their beneficiaries. Under these requirements, the City no longer owns the amounts deferred by employees, related income on those amounts, or the related contractual liability to plan participants. Thus the assets and liabilities of the deferred compensation plan have been excluded from the accompanying basic financial statements.

NOTE 3 - CASH AND INVESTMENTS

The City's cash and cash investments at September 30, 2005 consisted of operating funds on deposit, non-negotiable certificates of deposit and temporary cash investments in various cash management accounts.

Cash and cash investments aggregated \$10,746,698 at September 30, 2005 and were held at institutions covered by federal depository insurance; however, approximately \$8.1 million of such amount was in excess of federally insured limits. The City believes that due to the dollar amounts of its deposits and the limits of depository insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution in which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories for City funds.

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 3 - CASH AND INVESTMENTS (Continued)

The City is authorized by Michigan Public Acts 217 and 367 of 1982 to invest surplus funds (exclusive of pension funds) in U.S. Government bonds and notes, commercial paper rated at the time of purchase within the 2 highest classifications by not less than 2 standard rating services and that mature not more than 270 days after the date of purchase, U.S. Government or agency repurchase agreements, bankers' acceptances of U.S. banks, mutual funds registered under the Investment Company Act of 1940 and investment pools. The Employees' Retirement Systems are also authorized by laws of the State of Michigan to invest in certain corporate debt and equity instruments and certain other specified investment vehicles.

The City's investments are categorized below to give an indication of the level of risk assumed by the City at September 30, 2005. Risk Category 1 includes those investments which meet any one of the following criteria:

- a) Insured
- b) Registered
- c) Held by the City or its agent

Risk Categories 2 and 3 include investments which are neither insured nor registered. Category 2 includes investments which are held by the counterparty's trust department (or agent) in the City's name. Category 3 includes investments held by:

- a) The counterparty, or
- b) The counterparty's trust department (or agent) but not in the City's name

	<u>Risk Category</u>			<u>Amortized</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Cost</u>	<u>Value</u>
U.S. Government obligations	\$ 1,000,000	\$ -	\$ 9,716,210	\$ 10,716,210	\$ 10,505,636
Pooled equity funds				16,256,793	17,093,846
Nongovernmental obligations				4,215,766	4,179,310
Nonconvertible preferred stocks				341,231	336,229
Cash				<u>327,371</u>	<u>327,371</u>
Total investments				<u>\$ 31,857,371</u>	<u>\$ 32,442,392</u>

All of the City's investments are uncollateralized.

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 3 - CASH AND INVESTMENTS (Continued)

Credit ratings for the City's investments in debt securities as described by Standard & Poor's at September 30, 2005 are as follows:

<u>Investment Type</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>
Nongovernmental obligations	44%	7%	42%	7%
Nonconvertible preferred stocks	-	-	85%	15%

The City's general investment policy is to apply the prudent-person rule, which states "investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived." The City's investment policy does not limit maturities as a means of managing its exposure to fair value losses from increasing interest rates and it also does not limit the percentage of investments that can be invested at a certain institution or in a certain investment type.

At September 30, 2005, the City's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Cash and cash investments	\$ 3,711,486	\$ 6,619,059	\$ 416,153	\$ 10,746,698	\$ 12,320
Investments	<u>3,349,047</u>	<u>1,000,000</u>	<u>28,093,345</u>	<u>32,442,392</u>	<u>281,906</u>
Total	<u>\$ 7,060,533</u>	<u>\$ 7,619,059</u>	<u>\$ 28,509,498</u>	<u>\$ 43,189,090</u>	<u>\$ 294,226</u>

NOTE 4 - NOTES RECEIVABLE

The City has various notes receivable, totalling \$372,913 (net of an allowance for uncollectibles of \$200,000) at September 30, 2005, arising from special low or noninterest bearing loans made to local businesses for community development purposes. These notes have maturities extending through October 2018 and are collateralized by inventories, equipment and real estate.

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 5 - SEGMENT INFORMATION-PROPRIETARY FUNDS

	Electric Fund	Water Fund	Sewage Fund
Operating revenues	\$ 9,495,616	\$ 1,730,154	\$ 1,931,979
Depreciation expense	425,687	193,257	253,326
Operating income (loss)	657,729	143,237	(342,972)
Net income (loss)	106,871	217,650	(103,593)
Capital expenditures, net	354,006	4,791,339	234,296
Net working capital	5,264,893	1,021,423	1,628,335
Bonds payable	-	5,580,345	-
Total assets	11,356,867	9,082,952	7,355,993
Total net assets	10,298,117	3,110,276	6,508,006

	Airport Fund	Cemetery Fund	Plym Park Golf Fund
Operating revenues	\$ 31,429	\$ 84,001	\$ 173,261
Depreciation expense	13,525	11,392	22,585
Operating income (loss)	(7,962)	(63,359)	(33,231)
Operating interfund transfers in, net	627	49,281	7,989
Net income (loss)	26,465	(12,597)	(24,797)
Capital expenditures, net	13,514	-	-
Net working capital	132,759	82,821	24,270
Total assets	305,519	126,704	181,919
Total net assets	304,918	126,288	163,191

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005 is as follows:

Primary Government

	Balance October 1, <u>2004</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2005</u>
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 2,164,416	\$ 159,366	\$ 5,265	\$ 2,318,517
Capital assets being depreciated:				
Land improvements	785,107	-	-	785,107
Buildings	5,448,863	77,087	-	5,525,950
Infrastructure	-	207,089	-	207,089
Equipment	1,845,310	50,600	-	1,895,910
Vehicles and heavy equipment	4,268,050	188,324	320,665	4,135,709
Office equipment and furniture	750,354	17,198	44,878	722,674
Totals at historical cost	<u>15,262,100</u>	<u>699,664</u>	<u>370,808</u>	<u>15,590,956</u>

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 6 - CAPITAL ASSETS (Continued)

	Balance October 1, <u>2004</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2005</u>
Less accumulated depreciation for:				
Land improvements	312,239	26,684	-	338,923
Buildings	2,675,333	156,303	-	2,831,636
Infrastructure	-	4,142	-	4,142
Equipment	885,402	96,979	-	982,381
Vehicles and heavy equipment	2,523,171	289,483	305,559	2,507,095
Office equipment and furniture	568,016	37,879	44,878	561,017
Total accumulated depreciation	<u>6,964,161</u>	<u>611,470</u>	<u>350,437</u>	<u>7,225,194</u>
Governmental Activities - Net Capital Assets	\$ 8,297,939	\$ 88,194	\$ 20,371	\$ 8,365,762

Depreciation expense was charged to governmental functions as follows:

General government	\$ 28,748
Public safety	226,505
Highways and streets	145,094
Transportation	89,328
Culture and recreation	65,927
Community development	55,868
	<u>\$ 611,470</u>

	Balance October 1, <u>2004</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2005</u>
Business-Type Activities				
Capital assets not depreciated:				
Land	\$ 387,675	\$ 63,157	\$ -	\$ 450,832
Construction work in process	1,408,008	3,780,976	1,392,905	3,796,079
Capital assets being depreciated:				
Improvements, other than buildings	5,380,764	1,563,789	-	6,944,553
Buildings	8,344,830	6,080	-	8,350,910
Machinery and equipment	29,067,138	1,372,058	505,823	29,933,373
Totals at historical cost	<u>44,588,415</u>	<u>6,786,060</u>	<u>1,898,728</u>	<u>49,475,747</u>

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 6 - CAPITAL ASSETS (Continued)

	Balance October 1, <u>2004</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2005</u>
Less accumulated depreciation for:				
Improvements, other than buildings	3,093,959	137,037	-	3,230,996
Buildings	4,892,513	215,051	-	5,107,564
Machinery and equipment	23,218,937	600,448	(501,410)	23,317,975
Total accumulated depreciation	<u>31,205,409</u>	<u>952,536</u>	<u>(501,410)</u>	<u>31,656,535</u>
Business-Type Activities - Net Capital Assets	<u>\$ 13,383,006</u>	<u>\$ 5,833,524</u>	<u>\$ 1,397,318</u>	<u>\$ 17,819,212</u>

Depreciation expense was charged to business-type functions as follows:

Electric	\$ 425,687
Water	193,257
Sewage	253,326
Airport	13,525
Cemetery	11,392
Plym Park Golf	<u>22,585</u>
	<u>\$ 919,772</u>

	Balance January 1, <u>2004</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2004</u>
Niles Housing Commission				
Capital assets not depreciated:				
Land	\$ 212,091	\$ -	\$ -	\$ 212,091
Construction in process	721,071	196,431	768,678	148,824
Capital assets being depreciated:				
Buildings and improvements	4,436,960	768,678		5,205,638
Equipment	372,993	2,120	-	375,113
Totals at historical cost	5,743,115	967,229	768,678	5,941,666
Total accumulated depreciation	<u>3,583,000</u>	<u>157,314</u>	<u>-</u>	<u>3,740,314</u>
Niles Housing Commission -				
Net Capital Assets	<u>\$ 2,160,115</u>	<u>\$ 809,915</u>	<u>\$ 768,678</u>	<u>\$ 2,201,352</u>

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 7 - LONG-TERM DEBT

The following is a summary of individual issues comprising long-term debt of the City at September 30, 2005 and the changes therein for the year then ended.

Primary Government

	Balance October 1, 2004	Additions	Deductions	Balance September 30, 2005	Amounts due Within One Year
Governmental Activities					
Bonds, loans and leases payable					
General obligation bonds	\$ 530,000	\$ -	\$ 25,000	\$ 505,000	\$ 30,000
Installment loans payable	12,500	-	12,500	-	-
Capital lease payable	543,839	-	57,053	486,786	59,878
Total bonds, loans and leases payable	<u>1,086,339</u>	<u>-</u>	<u>94,553</u>	<u>991,786</u>	<u>89,878</u>
Other liabilities					
Accrued vacation and sick pay	598,084	322,047	295,675	624,456	172,995
Retiree life insurance benefit	20,000	-	-	20,000	-
	<u>618,084</u>	<u>322,047</u>	<u>295,675</u>	<u>644,456</u>	<u>172,995</u>
Total Governmental Activities	<u>1,704,423</u>	<u>322,047</u>	<u>390,228</u>	<u>1,636,242</u>	<u>262,873</u>
Business-Type Activities					
Bonds					
General obligation bonds	<u>5,826,746</u>	<u>-</u>	<u>61,401</u>	<u>5,765,345</u>	<u>185,000</u>
Total Business-Type Activities	<u>5,826,746</u>	<u>-</u>	<u>61,401</u>	<u>5,765,345</u>	<u>185,000</u>
Total Primary Government	<u>\$ 7,531,169</u>	<u>\$ 322,047</u>	<u>\$ 451,629</u>	<u>\$ 7,401,587</u>	<u>\$ 447,873</u>

Component Unit

Niles Housing Commission -

Accrued compensated absences	<u>\$ 28,795</u>	<u>\$ -</u>	<u>\$ 14,835</u>	<u>\$ 13,960</u>	<u>\$ -</u>
------------------------------	------------------	-------------	------------------	------------------	-------------

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 7 - LONG-TERM DEBT (Continued)

Long-term debt at September 30, 2005 was comprised of the following individual issues:

General Obligation Bonds

The bonds relate to the acquisition and construction of the addition to the existing Niles District Library facility by the Building Authority (see Note 1). The City has a lease with the Building Authority to pay rental equal to the sums necessary to retire the Building Authority's bonds which are limited tax full faith and credit general obligations of the City. The bonds are payable in annual installments of principal of \$30,000 to \$50,000 on March 15, with interest payable September 15 and March 15 at rates of 4.75% through March 2014 and 4.8% thereafter until final maturity on March 15, 2018.

\$ 505,000

The bonds relate to the acquisition and construction of a water tower and iron removal system for the City's water supply system together with necessary appurtenances and attachments. The bonds are payable in annual installments of principal of \$185,000 to \$440,000 on October 1, with interest payable October 1 and April 1 at rates of 2.0% to 4.4% with final maturity on October 1, 2023. Amount includes unamortized bond premium of \$25,344 at September 30, 2005.

5,765,344

\$ 6,270,344

Notes and Capital Lease Payable

Capital lease payable in annual installments of \$83,974 through July 29, 2012 including interest at 4.95%

\$ 486,786

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 7 - LONG-TERM DEBT (Continued)

The annual requirements to amortize the City's outstanding long-term bonds, loans and leases payable as of September 30, 2005, including interest of \$2,678,429, are as follows:

Fiscal Year Ending <u>September 30,</u>	<u>Primary Government</u>				
	<u>General Long-Term Debt</u>		<u>Capital Lease Payable</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
2006	\$ 235,876	\$ 215,000	\$ 24,096	\$ 59,878	\$ 534,850
2007	230,751	255,000	21,132	62,842	569,725
2008	223,702	285,000	18,021	65,953	592,676
2009	214,509	295,000	14,757	69,217	593,483
2010	205,046	305,000	11,330	72,644	594,020
2011-2015	853,751	1,690,000	11,693	156,252	2,711,696
2016-2020	502,556	1,935,000	-	-	2,437,556
2021-2023	<u>111,210</u>	<u>1,265,000</u>	<u>-</u>	<u>-</u>	<u>1,376,210</u>
Total	<u>\$ 2,577,401</u>	<u>\$ 6,245,000</u>	<u>\$ 101,029</u>	<u>\$ 486,786</u>	<u>\$ 9,410,216</u>

During the year ended September 30, 2005, interest expense of \$266,002 was incurred on the City's long-term bonds, loans and leases payable, of which \$213,706 was capitalized.

Other Long-Term Liabilities

It is anticipated that revenues of the General Fund will be used to liquidate accrued vacation and sick pay and the retiree life insurance benefits for the Governmental Funds.

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consisted of the following at September 30, 2005:

<u>Interfund Receivable Fund</u>	<u>Interfund Payable Fund</u>	<u>Amount</u>
General	Major Street	\$ 58,720
	Local Street	25,484
	Building Department	19,000
	Community Development Housing	320,322
	Sewer maintenance	925
	Dial-A-Ride Transportation	6,922
	Electric, Water and Sewage *	184,659
	Tax Revolving	55,142
Major Street	Electric *	425
Local Street	Electric *	372
Cemetery	Electric *	298
	Cemetery endowment	6,783
TIFA	Dial-A-Ride Transportation	1,480
	Agency	10,090
	Electric *	114
	General	41,828
Building Department	Electric *	29
Community Development	Electric *	111
Downtown Redevelopment	Electric *	268
Community Development Housing	Electric *	554
Economic Development Grants	TIFA	4,000
	Electric *	932
Capital Improvement	Electric *	193
Fire *	Electric *	128

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES (Continued)

<u>Interfund Receivable Fund</u>	<u>Interfund Payable Fund</u>	<u>Amount</u>
Industrial Park	Economic Development Grants	\$ 3,616
	Electric *	315
Sewer Maintenance	Electric *	131
	Sewer *	17,011
Airport	Electric *	488
	Dial-A-Ride Transportation	263
Electric, Water and Sewage *	Electric, Water and Sewage *	797,701
	General	112,970
Golf *	Electric *	189
Dial-A-Ride Transportation	Electric *	1,005
	Tax Revolving	1,379
	General Fund	26,813
Tax Revolving	Electric *	160
Local Improvement	Tax Revolving	2,238
	Electric *	183
Trust and Agency	General	56,148
Riverfront Amphitheater	Electric *	34
Insurance	Electric *	1,454
Cemetery Endowment	Electric *	12
Pension	Electric *	698
		<u>\$ 1,761,587</u>

* These interfund balances are between Governmental Funds and Proprietary Funds and are therefore classified as internal balances on the government-wide financial statements.

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 9 - INTERFUND TRANSFERS

Transfers within individual funds consisted of the following for the year ended September 30, 2005:

<u>Transfers in</u> <u>Fund</u>	<u>Transfers Out</u> <u>Fund</u>	<u>Amount</u>
General	Major Street *	\$ 331,318
	Local Street *	300,946
	Fire	15,559
	Electric	657,148
	Industrial Park	68,287
	Sewer maintenance	50,445
	Tax Revolving	200,000
Local Street	General **	167,211
	Major Street **	250,000
Cemetery	Cemetery endowment	49,281
TIFA	General **	3,641
Building Department	General **	30,000
Community Development	General **	50,000
Housing	Economic Development **	57,071
	Water *	1,130
Industrial Park	Economic Development **	202,832
Sewer maintenance	Sewer *	167,485
Airport	General **	627
Golf	General **	7,989

* These transfers represent transfers with other funds and are classified as revenues or expenditures (not transfers) by these funds.

** These transfers are within governmental funds and are therefore eliminated from the government-wide financial statements. All other transfers are shown as net transfers in the government-wide statement of activities, subject to the explanation for those designated with *, explained above.

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 10 - EMPLOYEE BENEFIT PLANS

The City has two contributory, single-employer defined benefit plans covering substantially all of its employees: Plan A and Plan B.

Membership in Plan A is open to all full-time employees of the City (other than policeman, fireman, those employees earning less than an average of \$500 per year, the medical director and independent contractors) including full-time elected officials. Employees who retire at or after age 62 with 10 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 1.9% of average monthly compensation for each year of credited service. Employees are allowed to purchase up to 5 years of military time and retirement is mandatory at age 70.

Average monthly compensation is equal to 1/36th of the earnings of the employee during the best 3 consecutive years of the employee's final 10 years of employment with the City. Benefits fully vest upon reaching 10 years of credited service. Employees may retire early on or after age 55 with 10 years of credited service and receive reduced retirement benefits. The Plan also provides death and disability benefits. Covered employees under Plan A are required to contribute 5.92% of their annual compensation to the Plan.

Membership in Plan B is open to all full-time employees of the police and fire departments, other than those earning less than an average of \$500 per year, the medical director and independent contractors. Employees who retire at or after age 55 with 10 years of credited service, or on or after age 52 with 25 years of credited service, are entitled to a retirement benefit, payable monthly for life, equal to 2.6% of average monthly compensation (computed in the same manner as Plan A) for each year of credited service up to 30 years, plus 1% of average monthly compensation for each year of credited service in excess of 30 years, with a maximum of 85% of average monthly compensation. Benefits for both police and fire employees fully vest upon reaching 15 years of credited service. Employees age 50 with 10 years of credited service or employees of any age with 25 years of credited service may retire early and receive reduced retirement benefits. The Plan also provides death and disability benefits. Covered employees under Plan B are required to contribute 7% of their annual compensation to the Plan. Employees are allowed to purchase up to 5 years of military time.

The aggregate payroll for employees covered by the plans for the year ended December 31, 2004 was \$6,190,882 (\$4,463,365 for Plan A and \$1,727,517 for Plan B); the City's total payroll for calendar year 2004 was \$6,901,009.

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 10 - EMPLOYEE BENEFIT PLANS (Continued)

Plan membership consisted of the following at January 1, 2005 (the date of the most recent actuarial valuation available):

	<u>Plan A</u>	<u>Plan B</u>	<u>Total</u>
Retired plan members and beneficiaries receiving benefits	81	48	129
Terminated plan members entitled to but not yet receiving benefits	4	-	4
Active plan members	<u>104</u>	<u>34</u>	<u>138</u>
Total	<u>189</u>	<u>82</u>	<u>271</u>

In addition to the pension benefits described above, the City provides postretirement health care benefits, in accordance with certain collective bargaining unit agreements, to eligible employees who retire from the City prior to age 65. The City provides single coverage health insurance for members of the Police and Fire bargaining units who retire on or after age 55, until they are eligible for Medicare. The retiree must contribute the same monthly amount towards the cost of this coverage as single employees contribute at the time of retirement, which is currently \$12.56 and \$13.95 per month for Police and Fire retirees, respectively. For members of the other bargaining units who retire on or after age 62, the City contributes 50% of their single coverage health insurance until they are eligible for Medicare. There are currently 10 retirees meeting these eligibility requirements. The City's costs for these benefits are funded as claims are incurred and the Insurance Fund is reimbursed by the General Fund based on an annually computed individual COBRA rate for each eligible retiree. During the year ended September 30, 2005, an aggregate of \$105,375 was paid by the General Fund to the Insurance Fund for these postretirement health care benefits.

The City contributes to the Plans a percent of payroll calculated and recommended each year by the Plans' actuary. The Plans' contribution requirements for the plan year ended December 31, 2004 were \$543,247 (\$320,721 for Plan A and \$222,526 for Plan B) which consisted of \$153,957 from the City and \$389,290 from employees; these contributions represented approximately 2.5% and 6.3% of covered payroll, respectively.

The Plans invest in various types of securities (see Note 3).

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 10 - EMPLOYEE BENEFIT PLANS (Continued)

Significant actuarial assumptions used in the valuation include (a) interest rate of 8.0 percent compounded annually, net of investment expenses; (b) projected annual salary increases of 4.5 percent, compounded annually, (c) no rehires of former employees were assumed and (d) employees purchase 2 years of military time on average. The entry age normal cost valuation method is used and recognizes market appreciation or depreciation over five years.

The City's funding policy provides for periodic contributions based upon a fundamental financial objective of having rates of contribution which remain relatively level from generation to generation of City of Niles citizens. To determine the contribution rates and to assess the extent to which the fundamental financial objective is being achieved, the City has actuarial valuations prepared annually. The complete actuarial valuation report for each plan is available at the City Clerk's office, 508 E. Main Street, Niles, Michigan, 49120. In preparing those valuations, the entry age normal cost method of valuation is used to determine normal cost and actuarial accrued liabilities.

Unfunded actuarial liabilities are amortized at the valuation interest rate using a 10-year level percent-of-payroll method from the date of establishment.

The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used in the valuation. The City's net pension obligation at transition at January 1, 2001 was \$-0-, determined in accordance with *Governmental Accounting Standards Board Statement No. 27, "Accounting for Pensions by State and Local Government Employers"*.

The City also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by ICMA-RT. The plan is available to all City employees and permits them to defer a portion of their compensation until future years. The City is not required to make any contributions to the plan. The deferred compensation is not available to the employees until termination, retirement, or unforeseeable emergency. Deferred compensation is available to employees' beneficiaries in case of death. These assets are held in trust for the exclusive benefit of the participants and their beneficiaries and are not considered an asset of the City.

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 11 - CONTRACTED SERVICES

The City has contracted with a management firm to administer and operate the Dial-A-Ride Transportation System. The management firm employs the drivers and dispatchers and is responsible for the maintenance of the equipment. The City reimburses the management firm at a flat rate per vehicle hour of operation. The hourly rate for the fiscal year ended September 30, 2005 was \$32.14.

NOTE 12 - EXCESS EXPENDITURES OVER APPROPRIATIONS

The following individual funds had excess expenditures over appropriations for the year ended September 30, 2005:

	<u>Expenditures</u>	<u>Appropriations</u>
Downtwon Revolving Loan Fund	\$ 54	\$ 50
Tax Incremental Finance Authority Fund	\$ 108,194	\$ 73,100
Community Development Grant Loans Fund	\$ 24	\$ -
Community Development Housing Rehabilitation Fund	\$ 684,245	\$ -
Major Street Fund	\$ 596,593	\$ 495,700
Economic Development Grants and Loan Fund	\$ 18,954	\$ 18,928
Industrial Park Fund	\$ 204,144	\$ -
Insurance Fund	\$ 1,601,122	\$ 1,477,250
City Building Authority Debt Service Fund	\$ 50,870	\$ 50,000
Capital Improvement Fund	\$ 40	\$ -
Equipment Replacement Fund	\$ 28	\$ -
Local Improvement Revolving Fund	\$ 37	\$ -

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 13 - COMMITMENTS AND CONTINGENCIES

There are various pending lawsuits in which the City is named. City management believes that any uninsured losses from such proceedings will not have a material adverse effect on the City's combined financial position.

The City participates in a number of federal and state-assisted grant programs. These grants are subject to program compliance audits by the grantors. The audits for a number of these grants have not yet been conducted. Such audits could result in expenditures being disallowed and may result in a liability to the applicable fund. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is not aware of any potential liabilities that would significantly affect its financial position at September 30, 2005.

NOTE 14 - JOINT VENTURES

The City is a part of two joint ventures. The combined general purpose financial statements do not reflect any financial interest in either entity as there is not a definable interest to recognize at this time. The joint ventures are as follows:

Southwestern Michigan Community Ambulance Service

On November 10, 1975, the City of Niles, City of Buchanan, Niles Township, Bertrand Township, Buchanan Township and Howard Township created a corporation known as the Southwestern Michigan Community Ambulance Service ("SMCAS"). The purpose of this corporation is to provide ambulance and/or emergency medical service within the boundaries of the participating municipalities. The Board of Trustees consists of one representative from each constituent municipality.

The corporation shall continue until dissolved by agreement of the constituent municipalities or by other means. In the event the corporation is dissolved, assets of the corporation shall be liquidated and after payment of all liabilities of the corporation, the balance shall be divided among the constituent members at the time of dissolution and division shall be made according to population. Likewise, in the event it becomes necessary to finance all or any part of the operating expenses of the corporation by contribution, such contributions will be made by the participating members on the basis of population.

Financial statements of SMCAS are available at its office located at 2100 Chicago Road, Niles, MI 49120.

(Continued)

CITY OF NILES
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 14 - JOINT VENTURES (Continued)

Southeast Berrien County Landfill Authority

On October 9, 1969, the City of Niles, Bertrand Township, Buchanan Township, Niles Township and the City of Buchanan created the Southeast Berrien County Landfill Authority (the "Authority"). The purpose of the Authority is to facilitate the collection and disposal of garbage and rubbish. The governing body of the Authority consists of two representatives from each constituent municipality, one of whom must be the Supervisor, President or City Manager.

The Authority shall continue until dissolved by all parties or by law. In the event the Authority is dissolved, liabilities shall be assessed and assets of the Authority shall be distributed after payment of all liabilities, obligations and agreements to the constituent municipalities. The method of distribution will be determined by the parties involved at that time.

Financial statements of the Authority are available at its office located at 3200 Chamberlain Road, Buchanan, MI 49107.

CITY OF NILES, MICHIGAN
PENSION PLANS A AND B
REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2005

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b)-(a)/(c)
Plan A						
01/01/00	\$ 14,457,295	\$ 13,236,339	\$ (1,220,956)	109.22%	\$ 3,570,157	(34.20)
01/01/01	15,125,869	13,857,628	(1,268,241)	109.15%	3,741,129	(33.90)
01/01/02	15,434,041	13,286,300	(2,147,741)	116.17%	3,837,618	(55.97)
01/01/03	15,012,679	14,016,475	(996,204)	107.11%	4,050,594	(24.59)
01/01/04	15,045,577	14,761,710	(283,867)	101.92%	4,050,559	(7.01)
01/01/05	15,770,486	15,501,303	(269,183)	101.74%	4,463,365	(6.03)
Plan B						
01/01/00	\$ 12,364,381	\$ 10,564,344	\$ (1,800,037)	117.04%	\$ 1,485,418	(121.18)
01/01/01	12,807,555	10,869,081	(1,938,474)	117.83%	1,462,944	(132.51)
01/01/02	12,955,533	11,234,339	(1,721,194)	115.32%	1,625,773	(105.87)
01/01/03	12,394,293	11,541,749	(852,544)	107.39%	1,502,952	(56.72)
01/01/04	11,955,949	11,809,688	(146,261)	101.24%	1,542,122	(9.48)
01/01/05	12,251,786	12,522,314	270,528	97.84%	1,727,517	15.66

CITY OF NILES, MICHIGAN
PENSION PLANS A AND B
REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2005

SCHEDULE OF CITY CONTRIBUTIONS

<u>Year</u> <u>Beginning</u> <u>January 1</u>	<u>Annual</u> <u>Required</u> <u>Contri-</u> <u>bution</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u> <u>Adjustment</u>	<u>Interest</u> <u>on Net</u> <u>Pension</u> <u>Obligation</u>	<u>Annual</u> <u>Pension</u> <u>Cost</u>	<u>Actual</u> <u>Contri-</u> <u>bution</u>	<u>Percent</u> <u>Contributed</u>	<u>Change</u> <u>in Net</u> <u>Pension</u> <u>Obligation</u>	<u>Pension</u> <u>Obligation</u> <u>at End</u> <u>of Year</u>
Plan A								
1999	\$ 64,651	\$ -	\$ -	\$ 64,651	\$ 64,651	100 %	\$ -	\$ -
2000	25,702	-	-	25,702	25,702	100	-	-
2001	29,138	-	-	29,138	29,138	100	-	-
2002	78,412	-	-	78,412	78,412	100	-	-
2003	56,709	-	-	56,709	56,709	100	-	-
2004	53,873	-	-	53,873	53,873	100	-	-
Plan B								
1999	\$ -	\$ -	\$ -	\$ -	\$ -	- %	\$ -	\$ -
2000	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-	-
2003	20,140	-	-	20,140	20,140	100	-	-
2004	100,084	-	-	100,084	100,084	100	-	-

CITY OF NILES, MICHIGAN
COMBINING BALANCE SHEET
GENERAL FUND
SEPTEMBER 30, 2005

	<u>Corporate Account</u>	<u>Tax Revolving Account</u>	<u>Tax Collection Account</u>	<u>Insurance Account</u>	<u>Total General Fund</u>
Assets					
Cash and cash investments (Notes 2 and 3)	\$ 1,947,754	\$ 584	\$ 94,507	\$ 365,105	\$ 2,407,950
Investments (Notes 2 and 3)	2,065,832	461,900	-	-	2,527,732
Receivables (net, where applicable, of allowances for uncollectibles):					
Taxes	299,749	-	-	-	299,749
Special assessments	2,101	-	-	-	2,101
Special assessments - deferred	16,548	-	-	-	16,548
State and federal revenues	307,124	-	-	-	307,124
Due from other funds (Note 8)	<u>671,173</u>	<u>160</u>	<u>-</u>	<u>1,454</u>	<u>672,787</u>
 Total assets	 <u>\$ 5,310,281</u>	 <u>\$ 462,644</u>	 <u>\$ 94,507</u>	 <u>\$ 366,559</u>	 <u>\$ 6,233,991</u>
Liabilities					
Accounts payable	\$ 194,131	\$ -	\$ 3,082	\$ -	\$ 197,213
Accrued expenses	-	-	-	366,559	366,559
Contingent property taxes payable (Note 2)	11,000	-	-	-	11,000
Due to other funds (Note 8)	161,490	22,325	56,521	-	240,336
Due to fiduciary funds	25,897	-	30,251	-	56,148
Due to other entities	-	-	394	-	394
Other liabilities	-	-	8,073	-	8,073
Deferred revenues (Note 2)	<u>2,885,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,885,224</u>
 Total liabilities	 <u>3,277,742</u>	 <u>22,325</u>	 <u>98,321</u>	 <u>366,559</u>	 <u>3,764,947</u>
Fund Balance					
Designated for county tax revolving fund	-	440,319	-	-	440,319
Designated for subsequent year's expenditures	-	94,500	-	-	94,500
Undesignated	<u>2,032,539</u>	<u>(94,500)</u>	<u>(3,814)</u>	<u>-</u>	<u>1,934,225</u>
 Total fund balance	 <u>2,032,539</u>	 <u>440,319</u>	 <u>(3,814)</u>	 <u>-</u>	 <u>2,469,044</u>
 Total liabilities and fund balance	 <u>\$ 5,310,281</u>	 <u>\$ 462,644</u>	 <u>\$ 94,507</u>	 <u>\$ 366,559</u>	 <u>\$ 6,233,991</u>

CITY OF NILES, MICHIGAN
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GENERAL FUND
 For the Year ended September 30, 2005

	Corporate Account	Tax Revolving Account	Tax Collection Account	Insurance Account	Total General Fund
Revenues					
Taxes	\$ 2,716,700	\$ 115,593	\$ -	\$ -	\$ 2,832,293
Federal revenues	33,022	-	-	-	33,022
State-shared revenues	1,558,845	-	-	-	1,558,845
Investment income	41,103	6,722	-	108,922	156,747
Penalties and fees	13,673	4,660	-	-	18,333
Fines and forfeits	53,036	-	-	-	53,036
Licenses and permits	28,342	-	-	-	28,342
Tax collection fees	97,098	4,244	-	-	101,342
Charges for services	540,319	-	-	-	540,319
Contributions	5,176	-	-	1,492,200	1,497,376
Other	95,912	531	-	-	96,443
Total revenues	<u>5,183,226</u>	<u>131,750</u>	<u>-</u>	<u>1,601,122</u>	<u>6,916,098</u>
Expenditures					
General government	1,485,700	-	14,381	1,601,122	3,101,203
Public safety	3,419,847	-	-	-	3,419,847
Highways and streets	907,211	-	-	-	907,211
Transportation (Note 11)	73,064	-	-	-	73,064
Sanitation and sewers	52,685	-	-	-	52,685
Culture and recreation	190,663	-	-	-	190,663
Conservation	83,002	-	-	-	83,002
Debt service	97,175	-	-	-	97,175
Total expenditures	<u>6,309,347</u>	<u>-</u>	<u>14,381</u>	<u>1,601,122</u>	<u>7,924,850</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,126,121)</u>	<u>131,750</u>	<u>(14,381)</u>	<u>-</u>	<u>(1,008,752)</u>
Other financing sources (uses) (Note 9)					
Proceeds from sale of assets	83,584	-	-	-	83,584
Operating transfers in	1,623,703	-	-	-	1,623,703
Operating transfers out	<u>(361,202)</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(561,202)</u>
Total other financing sources (uses)	<u>1,346,085</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>1,146,085</u>
Net change in fund balances	219,964	(68,250)	(14,381)	-	137,333
Fund balances at beginning of year	<u>1,812,575</u>	<u>508,569</u>	<u>10,567</u>	<u>-</u>	<u>2,331,711</u>
Fund balances at end of year	<u>\$ 2,032,539</u>	<u>\$ 440,319</u>	<u>\$ (3,814)</u>	<u>\$ -</u>	<u>\$ 2,469,044</u>

CITY OF NILES, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2005

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Taxes	\$ 2,860,930	\$ 2,832,293	\$ (28,637)
Federal revenues	12,850	33,022	20,172
State-shared revenues	1,581,500	1,558,845	(22,655)
Investment income	278,100	156,747	(121,353)
Penalties and fees	16,000	18,333	2,333
Fines and forfeits	65,100	53,036	(12,064)
Licenses and permits	28,800	28,342	(458)
Tax collection fees	84,000	101,342	17,342
Charges for services	358,600	540,319	181,719
Contributions	1,299,650	1,497,376	197,726
Other	70,500	96,443	25,943
Total revenues	<u>6,656,030</u>	<u>6,916,098</u>	<u>260,068</u>
Expenditures			
<u>General Government</u>			
Council	132,600	135,783	(3,183)
Legal	82,100	66,405	15,695
Administrator's office	149,980	156,266	(6,286)
Clerk's office	98,171	85,501	12,670
Treasurer's office	131,900	123,265	8,635
Management services	171,600	211,566	(39,966)
Building maintenance	342,300	325,023	17,277
Assessor's office and building department	93,117	83,440	9,677
Planning	81,460	91,434	(9,974)
Property and liability insurance	175,000	154,939	20,061
General contingent	35,000	10,569	24,431
Emergency operations center	7,900	4,831	3,069
Insurance expense	1,477,250	1,601,122	(123,872)
Miscellaneous	50,400	51,059	(659)
Total general government	<u>3,028,778</u>	<u>3,101,203</u>	<u>(72,425)</u>

(Continued)

CITY OF NILES, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2005

	Budget - Final Same as Originally Approved	Actual	Variance - Favorable (Unfavorable)
<u>Public Safety</u>			
Police Department	\$ 2,293,924	\$ 2,261,048	\$ 32,876
Fire Department	1,134,661	1,158,799	(24,138)
Total public safety	3,428,585	3,419,847	8,738
<u>Highways and Streets</u>			
Highways, streets and bridges	437,200	470,541	(33,341)
Engineering	202,400	185,951	16,449
Other	306,900	250,719	56,181
Total highways and streets	946,500	907,211	39,289
<u>Transportation</u>			
Motor vehicle pool	81,000	73,064	7,936
<u>Sanitation</u>			
Leaf pick-up and chipping	71,300	52,685	18,615
Total sanitation and sewers	71,300	52,685	18,615
<u>Culture and Recreation</u>			
Recreation	162,300	115,957	46,343
Museum	73,911	74,706	(795)
Total culture and recreation	236,211	190,663	45,548
<u>Conservation</u>			
Tree trimming	51,000	52,613	(1,613)
Tree removal	35,400	30,389	5,011
Total conservation	86,400	83,002	3,398
<u>Debt service</u>	-	97,175	(97,175)
Total expenditures	7,878,774	7,924,850	(46,076)
Deficiency of revenues under expenditures	(1,222,744)	(1,008,752)	213,992

(Continued)

CITY OF NILES, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2005

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Other financing sources (uses)			
Proceeds from sale of assets	\$ 2,000	\$ 83,584	\$ 81,584
Transfers in	1,448,400	1,623,703	175,303
Transfers out	<u>(512,510)</u>	<u>(561,202)</u>	<u>(48,692)</u>
Total other financing sources	<u>937,890</u>	<u>1,146,085</u>	<u>208,195</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	\$ <u>(284,854)</u>	137,333	\$ <u>422,187</u>
Fund balance at beginning of year		<u>2,331,711</u>	
Fund balance at end of year		\$ <u>2,469,044</u>	

(Continued)

CITY OF NILES, MICHIGAN
SCHEDULE OF EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - GENERAL FUND - CORPORATE ACCOUNT
For the Year ended September 30, 2005

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Council			
Labor	\$ 50,400	\$ 50,400	\$ -
Fringe benefits	4,000	4,021	(21)
Travel, training and conferences	1,000	488	512
Dues and subscriptions	14,000	11,209	2,791
Office supplies	500	314	186
Professional services	500	-	500
Communications	2,000	593	1,407
Community promotion	20,000	26,184	(6,184)
Disaster preparations	5,000	-	5,000
Donations	35,000	35,000	-
Land purchase	-	1,290	(1,290)
Other equipment capital outlay	-	5,963	(5,963)
Miscellaneous	200	321	(121)
Total council	<u>132,600</u>	<u>135,783</u>	<u>(3,183)</u>
Legal			
Professional services	45,000	45,413	(413)
Codification	3,000	5,102	(2,102)
Professional services - Police Department	31,000	1,182	29,818
Travel and training	300	-	300
Publishing	2,500	327	2,173
Dues and subscriptions	300	-	300
Total legal	<u>82,100</u>	<u>52,024</u>	<u>30,076</u>
Administrator's office			
Labor	97,930	114,231	(16,301)
Fringe benefits	37,550	29,836	7,714
Office supplies	2,000	2,065	(65)
Travel, training and conferences	3,000	1,767	1,233
Dues and subscriptions	2,000	1,300	700
Communications	2,000	1,673	327
Car allowance and mileage	4,500	4,809	(309)

(Continued)

CITY OF NILES, MICHIGAN
SCHEDULE OF EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - GENERAL FUND - CORPORATE ACCOUNT
For the Year ended September 30, 2005

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Administrator's office, continued			
Miscellaneous	\$ 1,000	\$ 585	\$ 415
Total administrator's office	<u>149,980</u>	<u>156,266</u>	<u>(6,286)</u>
Clerk's office			
Labor	59,625	54,809	4,816
Fringe benefits	13,746	15,756	(2,010)
Supplies	11,300	9,179	2,121
Car allowance and mileage	600	456	144
Travel, training and conferences	3,500	1,647	1,853
Dues and subscriptions	1,000	899	101
Professional services	3,500	786	2,714
Communications	1,000	452	548
Printing and publishing	2,500	1,211	1,289
Repairs and maintenance - office equipment	300	-	300
Miscellaneous	<u>1,100</u>	<u>306</u>	<u>794</u>
Total clerk's office	<u>98,171</u>	<u>85,501</u>	<u>12,670</u>
Treasurer's office			
Labor	77,400	78,600	(1,200)
Fringe benefits	21,200	23,462	(2,262)
Supplies	8,800	2,101	6,699
Car allowance and mileage	-	21	(21)
Professional services	17,500	17,681	(181)
Travel, training and conferences	1,000	-	1,000
Dues and subscriptions	200	45	155
Communications	1,400	978	422
Repairs and maintenance - office equipment	1,100	377	723
Printing and publishing	100	-	100
Miscellaneous	200	-	200
Capital outlay	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total treasurer's office	<u>131,900</u>	<u>123,265</u>	<u>8,635</u>
Management services			
Labor	61,200	71,054	(9,854)

(Continued)

CITY OF NILES, MICHIGAN
SCHEDULE OF EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - GENERAL FUND - CORPORATE ACCOUNT
For the Year ended September 30, 2005

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Management services, continued			
Fringe benefits	\$ 20,100.00	\$ 26,784.00	\$ (6,684.00)
Supplies	15,000	28,011	(13,011)
Car allowance	200	21	179
Professional services	44,000	58,202	(14,202)
Travel, training and conferences	2,000	142	1,858
Communications	12,000	5,745	6,255
Dues and subscriptions	1,600	302	1,298
Printing and publishing	500	-	500
Repairs and maintenance - office equipment	11,000	9,281	1,719
Capital outlay	3,000	10,837	(7,837)
Miscellaneous	1,000	1,187	(187)
Total management services	<u>171,600</u>	<u>211,566</u>	<u>(39,966)</u>
Building maintenance			
Labor	16,500	21,972	(5,472)
Fringe benefits	-	1	(1)
Supplies	5,500	4,123	1,377
Contractual service - property	33,500	31,524	1,976
Trash disposal	1,500	2,226	(726)
Utilities	266,600	250,890	15,710
Building repairs	18,000	12,796	5,204
Miscellaneous	700	1,491	(791)
Total building maintenance	<u>342,300</u>	<u>325,023</u>	<u>17,277</u>
Assessor's office and building department			
Labor	52,441	51,684	757
Fringe benefits	15,476	17,075	(1,599)
Supplies	2,000	4,571	(2,571)
Professional services	10,000	4,313	5,687
Travel, training and conferences	2,500	1,466	1,034
Dues and subscriptions	3,300	200	3,100
Communications	800	1,155	(355)
Office equipment maintenance	1,000	298	702

(Continued)

CITY OF NILES, MICHIGAN
SCHEDULE OF EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - GENERAL FUND - CORPORATE ACCOUNT
For the Year ended September 30, 2005

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Assessor's office and building department, continued			
Postage expense	\$ 2,800	\$ 1,632	\$ 1,168
Printing and publishing	<u>2,800</u>	<u>1,046</u>	<u>1,754</u>
Total assessor's office building department	<u>93,117</u>	<u>83,440</u>	<u>9,677</u>
Planning			
Labor	46,113	54,390	(8,277)
Fringe benefits	14,477	15,941	(1,464)
Printing and publishing	1,600	926	674
Supplies	1,400	2,033	(633)
Professional services	8,000	9,412	(1,412)
Travel, training and conferences	6,600	6,150	450
Dues and subscriptions	1,320	1,845	(525)
Communications	800	615	185
Office equipment maintenance	-	99	(99)
Miscellaneous	<u>1,150</u>	<u>23</u>	<u>1,127</u>
Total planning	<u>81,460</u>	<u>91,434</u>	<u>(9,974)</u>
Property and liability insurance	<u>175,000</u>	<u>154,939</u>	<u>20,061</u>
General contingent	<u>35,000</u>	<u>10,569</u>	<u>24,431</u>
Miscellaneous	<u>50,400</u>	<u>51,059</u>	<u>(659)</u>
Emergency operations center	<u>7,900</u>	<u>4,831</u>	<u>3,069</u>
Police department			
Labor	1,499,900	1,456,144	43,756
Fringe benefits	414,524	435,278	(20,754)
Supplies	70,700	44,646	26,054
Uniforms	27,000	16,465	10,535
Reserves uniforms and equipment	3,500	2,031	1,469
Food and meals	7,500	8,074	(574)
Professional services	15,000	5,605	9,395

(Continued)

CITY OF NILES, MICHIGAN
SCHEDULE OF EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - GENERAL FUND - CORPORATE ACCOUNT
For the Year ended September 30, 2005

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Police department, continued			
Travel, training and conferences	\$ 21,000	\$ 21,474	\$ (474)
Dues and subscriptions	1,600	1,249	351
Communications	32,300	24,540	7,760
Vehicle maintenance	67,000	72,291	(5,291)
Community promotions	500	409	91
Printing and publishing	500	1,746	(1,246)
Maintenance - other equipment	27,300	23,020	4,280
Repairs and maintenance	52,000	43,841	8,159
School guards	14,000	13,232	768
Court and witness fees	5,000	4,367	633
Miscellaneous	3,800	5,818	(2,018)
Equipment capital outlay	2,800	11,065	(8,265)
Office equipment capital outlay	3,000	-	3,000
Vehicle capital outlay	25,000	69,753	(44,753)
Total police department	<u>2,293,924</u>	<u>2,261,048</u>	<u>32,876</u>
Fire department			
Labor	699,062	683,828	15,234
Labor - building inspectors	5,055	837	4,218
Fringe benefits	202,529	229,369	(26,840)
Food allowance	6,615	6,257	358
Supplies	19,000	17,993	1,007
Uniforms	7,500	7,736	(236)
Safety equipment	20,000	32,370	(12,370)
Professional services	6,500	3,695	2,805
Community promotion	3,300	4,084	(784)
Travel, training and conferences	10,500	14,416	(3,916)
Dues and subscriptions	1,300	1,388	(88)
Communications	10,000	17,329	(7,329)
Printing and publishing	1,200	(37)	1,237
Custodian supplies	2,700	1,995	705
Utilities	10,000	5,144	4,856
Vehicle maintenance	17,000	18,397	(1,397)
Repairs and maintenance	5,000	9,684	(4,684)
Equipment maintenance	5,000	3,069	1,931

(Continued)

CITY OF NILES, MICHIGAN
SCHEDULE OF EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - GENERAL FUND - CORPORATE ACCOUNT
For the Year ended September 30, 2005

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Fire department, continued			
Vehicle capital outlay	\$ 99,900	\$ -	\$ 99,900
Other equipment capital outlay	-	100,213	(100,213)
Miscellaneous	<u>2,500</u>	<u>1,032</u>	<u>1,468</u>
Total fire department	<u>1,134,661</u>	<u>1,158,799</u>	<u>(24,138)</u>
Highways, streets and bridges			
Labor	120,400	137,767	(17,367)
Fringe benefits	233,100	263,080	(29,980)
Supplies	83,000	68,494	14,506
Repairs and maintenance	<u>700</u>	<u>1,200</u>	<u>(500)</u>
Total highway, streets and bridges	<u>437,200</u>	<u>470,541</u>	<u>(33,341)</u>
Engineering			
Labor	137,800	128,083	9,717
Fringe benefits	46,100	46,753	(653)
Supplies	4,000	1,077	2,923
Communications	3,000	3,098	(98)
Repairs and maintenance	1,500	579	921
Office equipment	<u>10,000</u>	<u>6,361</u>	<u>3,639</u>
Total engineering	<u>202,400</u>	<u>185,951</u>	<u>16,449</u>
Other			
Labor	9,400	2,825	6,575
Professional services	148,000	147,124	876
Supplies	400	666	(266)
Travel, training and conferences	2,100	355	1,745
Communications	200	93	107
Vehicle maintenance	140,000	86,740	53,260
Repairs and maintenance	2,600	2,482	118
Miscellaneous	<u>4,200</u>	<u>10,434</u>	<u>(6,234)</u>
Total other	<u>306,900</u>	<u>250,719</u>	<u>56,181</u>

(Continued)

CITY OF NILES, MICHIGAN
SCHEDULE OF EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - GENERAL FUND - CORPORATE ACCOUNT
For the Year ended September 30, 2005

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Motor vehicle pool			
Labor	\$ 65,000	\$ 50,760	\$ 14,240
Supplies	11,500	6,489	5,011
Communications	4,500	3,274	1,226
Vehicle capital outlay	-	12,541	(12,541)
Total motor vehicle pool	<u>81,000</u>	<u>73,064</u>	<u>7,936</u>
Leaf pick-up and chipping			
Labor	71,100	52,457	18,643
Fringe benefits	-	41	(41)
Printing and publishing	100	-	100
Trash disposal	100	187	(87)
Total leaf pick-up and chipping	<u>71,300</u>	<u>52,685</u>	<u>18,615</u>
Recreation			
Labor	39,200	26,253	12,947
Fringe benefits	3,900	2,536	1,364
Contracted services	64,000	54,160	9,840
Supplies	12,400	10,400	2,000
Umpires	5,500	5,500	-
Trash disposal	4,800	3,015	1,785
Repairs and maintenance	18,200	8,531	9,669
Community promotion - concerts	4,100	1,658	2,442
Park programs	5,700	4,131	1,569
Capital outlay	-	(2,150)	2,150
Miscellaneous	1,200	732	468
Printing and publishing	1,400	577	823
Travel, training and conferences	500	46	454
Communications	1,000	568	432
Dues and subscriptions	400	-	400
Total recreation	<u>162,300</u>	<u>115,957</u>	<u>46,343</u>
Museum			
Labor	50,190	48,734	1,456
Fringe benefits	13,077	14,959	(1,882)
Supplies	5,550	3,517	2,033

(Continued)

CITY OF NILES, MICHIGAN
SCHEDULE OF EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - GENERAL FUND - CORPORATE ACCOUNT
For the Year ended September 30, 2005

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Museum, continued			
Communications	\$ 850.00	\$ 608.00	\$ 242.00
Professional services	1,830	3,085	(1,255)
Travel, training and conferences	100	228	(128)
Repairs and maintenance	400	501	(101)
Printing and publishing	1,004	407	597
Community promotion	700	2,297	(1,597)
Dues and subscriptions	210	370	(160)
Total museum	<u>73,911</u>	<u>74,706</u>	<u>(795)</u>
Tree trimming			
Contractual services	<u>51,000</u>	<u>52,613</u>	<u>(1,613)</u>
Total tree trimming	<u>51,000</u>	<u>52,613</u>	<u>(1,613)</u>
Tree removal			
Contractual services	35,000	30,228	4,772
Printing and publishing	<u>400</u>	<u>161</u>	<u>239</u>
Total tree removal	<u>35,400</u>	<u>30,389</u>	<u>5,011</u>
Debt service	<u>-</u>	<u>97,175</u>	<u>(97,175)</u>
Total expenditures	<u>\$ 6,351,124</u>	<u>\$ 6,309,347</u>	<u>\$ 92,836</u>

(Continued)

CITY OF NILES, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
GENERAL FUND - INSURANCE ACCOUNT
For the Year ended September 30, 2005

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Investment income	180,600	108,922	\$ (71,678)
Employer contributions	1,206,150	1,370,250	164,100
Employee contributions	90,000	114,029	24,029
Refunds	<u>500</u>	<u>7,921</u>	<u>7,421</u>
Total operating revenues	<u>1,477,250</u>	<u>1,601,122</u>	<u>123,872</u>
Expenditures			
Other	<u>1,477,250</u>	<u>1,601,122</u>	<u>3,078,372</u>
Total operating expenses	<u>1,477,250</u>	<u>1,601,122</u>	<u>3,078,372</u>
Fund balance at beginning of year	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance at end of year		<u>\$ -</u>	

CITY OF NILES, MICHIGAN
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

	Special Revenue Funds				
	Tax Incremental Financing Authority <u>Fund</u>	Building Department <u>Fund</u>	Community Development Grant <u>Loans Fund</u>	Downtown Revolving <u>Loan Fund</u>	Community Development Housing <u>Fund</u>
Assets					
Cash and cash equivalents	\$ 28,955	\$ 1,608	\$ 29,581	\$ 72,868	\$ 121,855
Investments	-	-	-	-	-
Receivables					
Property taxes	-	-	-	-	-
Special assessments - deferred	-	-	-	-	-
State and federal revenues	-	-	-	-	58,840
Accounts	-	20,806	-	-	200,000
Accrued interest	-	-	-	137	-
Notes (net of allowance for doubtful accounts of \$200,000)	-	-	-	15,255	-
Due from fiduciary funds	10,090	-	-	-	554
Due from other funds	43,422	29	111	268	-
Total assets	<u>\$ 82,467</u>	<u>\$ 22,443</u>	<u>\$ 29,692</u>	<u>\$ 88,528</u>	<u>\$ 381,249</u>
Liabilities and Fund Balance					
Accounts payable	\$ 1,761	\$ 1,659	\$ -	\$ -	\$ 3,380
Due to other funds	4,000	19,000	-	-	320,322
Deferred revenues	53,398	-	-	-	-
Total liabilities	<u>59,159</u>	<u>20,659</u>	<u>-</u>	<u>-</u>	<u>323,702</u>
Fund balance, unreserved					
Designated for subsequent year's expenditures	-	49,180	-	-	-
Undesignated	23,308	(47,396)	29,692	88,528	57,547
Total fund balance	<u>23,308</u>	<u>1,784</u>	<u>29,692</u>	<u>88,528</u>	<u>57,547</u>
Total liabilities and fund balance	<u>\$ 82,467</u>	<u>\$ 22,443</u>	<u>\$ 29,692</u>	<u>\$ 88,528</u>	<u>\$ 381,249</u>

(Continued)

Special Revenue Funds						Debt Service Funds
Industrial Park Fund	Dial-A-Ride Transportation Fund	Local Street Fund	Major Street Fund	Economic Development Grants and Loans Fund	Donovan Smith Memorial Park Fund	City Building Authority Debt Service Fund
\$ 72,297	\$ 309,455	\$ 126,256	\$ 126,725	\$ 249,086	\$ 658	\$ -
-	-	-	-	-	-	-
-	9,768	-	-	-	-	-
-	-	-	-	-	-	-
-	43,679	38,901	111,447	-	-	-
70,000	-	-	-	50,000	-	-
-	-	-	-	3,384	-	-
-	-	-	-	357,658	-	-
-	-	-	-	-	-	-
3,932	29,197	372	425	4,932	-	-
<u>\$ 146,229</u>	<u>\$ 392,099</u>	<u>\$ 165,529</u>	<u>\$ 238,597</u>	<u>\$ 665,060</u>	<u>\$ 658</u>	<u>\$ -</u>
\$ 4,862	\$ 52,870	\$ 363	\$ 3,264	\$ -	\$ -	\$ -
-	8,665	25,484	58,720	3,617	-	-
-	-	-	-	-	-	-
4,862	61,535	25,847	61,984	3,617	-	-
-	22,673	-	44,800	149,561	-	-
141,367	307,891	139,682	131,813	511,882	658	-
141,367	330,564	139,682	176,613	661,443	658	-
<u>\$ 146,229</u>	<u>\$ 392,099</u>	<u>\$ 165,529</u>	<u>\$ 238,597</u>	<u>\$ 665,060</u>	<u>\$ 658</u>	<u>\$ -</u>

(Continued)

CITY OF NILES, MICHIGAN
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

	Capital Projects Funds			
	Capital Improvement Fund	Equipment Replacement Fund	Sewer Maintenance Fund	Local Improvement Revolving Fund
Assets				
Cash and cash investments	\$ 51,733	\$ 24,696	\$ 35,228	\$ 50,402
Investments	-	-	-	-
Receivables				
Property taxes	-	-	-	-
Special assessments - deferred	4,080	-	-	-
State and federal revenues	-	-	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Notes (net of allowance for doubtful accounts of \$200,000)	-	-	-	-
Due from fiduciary funds	-	-	-	-
Due from other funds	193	128	17,142	2,422
Total assets	<u>\$ 56,006</u>	<u>\$ 24,824</u>	<u>\$ 52,370</u>	<u>\$ 52,824</u>
Liabilities and Fund Balance				
Accounts payable	\$ -	\$ -	\$ 4,552	\$ -
Due to other funds	-	-	925	35
Deferred revenues	4,080	-	-	-
Total liabilities	<u>4,080</u>	<u>-</u>	<u>5,477</u>	<u>35</u>
Fund balance, unreserved				
Designated for subsequent year's expenditures	-	-	-	-
Undesignated	51,926	24,824	46,893	52,789
Total fund balance	<u>51,926</u>	<u>24,824</u>	<u>46,893</u>	<u>52,789</u>
Total liabilities and fund balance	<u>\$ 56,006</u>	<u>\$ 24,824</u>	<u>\$ 52,370</u>	<u>\$ 52,824</u>

(Continued)

Permanent Funds		
Cemetery Endowment Fund	Total Nonmajor Governmental Funds	
\$ 2,133	\$ 1,303,536	
821,315	821,315	
-	9,768	
-	4,080	
-	252,867	
-	340,806	
-	3,521	
-	372,913	
-	10,644	
12	102,585	
<u>\$ 823,460</u>	<u>\$ 3,222,035</u>	
\$ -	\$ 72,711	
6,783	447,551	
-	57,478	
6,783	577,740	
16,050	282,264	
800,627	2,304,484	
816,677	2,644,295	
<u>\$ 823,460</u>	<u>\$ 3,222,035</u>	

(Continued)

CITY OF NILES, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Special Revenue Funds				
	Tax Incremental Financing Authority Fund	Building Department Fund	Community Development Grant Loans Fund	Downtown Revolving Loan Fund	Community Development Housing Fund
Revenues					
Taxes	\$ 77,004	\$ -	\$ -	\$ -	\$ -
Federal revenues	-	-	-	-	262,026
State-shared revenues	-	-	-	-	10,030
Investment income	1,057	36	577	2,030	677
Penalties	-	2,350	-	-	-
Licenses and permits	-	137,460	-	-	-
Charges for services	-	-	-	-	-
Program revenues	-	-	-	-	5,622
Contributions and other	8,644	479	-	-	350,000
Total revenues	86,705	140,325	577	2,030	628,355
Expenditures					
General government	-	-	-	-	-
Highways and streets	-	-	-	-	-
Transportation	-	-	-	-	-
Community development	108,194	156,265	24	54	684,245
Sewer maintenance	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	108,194	156,265	24	54	684,245
Excess (deficiency) of revenues over (under) expenditures	(21,489)	(15,940)	553	1,976	(55,890)
Other financing sources (uses)					
Proceeds from sale of assets	-	-	-	-	-
Transfers in	3,641	30,000	-	-	108,201
Transfers out	(4,000)	-	-	-	-
Total other financing sources (uses)	(359)	30,000	-	-	108,201
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(21,848)	14,060	553	1,976	52,311
Fund balance (deficit) at beginning of year	45,156	(12,276)	29,139	86,552	5,236
Fund balance at end of year	\$ 23,308	\$ 1,784	\$ 29,692	\$ 88,528	\$ 57,547

Special Revenue Funds						Debt Service Funds
Industrial Park Fund	Dial-A-Ride Transportation Fund	Local Street Fund	Major Street Fund	Economic Development Grants and Loans Fund	Donovan Smith Memorial Park Fund	City Building Authority Debt Service Fund
\$ -	\$ 101,205	\$ -	\$ -	\$ -	\$ -	\$ -
-	212,418	-	-	-	-	-
-	308,003	235,430	568,376	-	-	-
1,639	4,975	890	2,737	19,334	2	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	119,521	-	100,869	-	-	-
-	-	-	-	-	-	-
-	9,529	-	158	-	-	50,870
1,639	755,651	236,320	672,140	19,334	2	50,870
-	-	-	-	-	-	-
-	-	627,771	596,593	-	-	-
-	740,414	-	-	-	-	-
204,144	-	-	-	380	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	50,870
204,144	740,414	627,771	596,593	380	-	50,870
(202,505)	15,237	(391,451)	75,547	18,954	2	-
-	342	-	-	-	-	-
202,832	-	417,211	-	-	-	-
(68,287)	-	-	(250,000)	(259,903)	-	-
134,545	342	417,211	(250,000)	(259,903)	-	-
(67,960)	15,579	25,760	(174,453)	(240,949)	2	-
209,327	314,985	113,922	351,066	902,392	656	-
\$ 141,367	\$ 330,564	\$ 139,682	\$ 176,613	\$ 661,443	\$ 658	\$ -

CITY OF NILES, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Capital Projects Funds			
	Capital Improvement Fund	Equipment Replacement Fund	Sewer Maintenance Fund	Local Improvement Revolving Fund
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal revenues	-	-	-	-
State-shared revenues	-	-	-	-
Investment income	1,037	156	423	1,085
Penalties	-	-	-	-
Licenses and permits	-	-	552	-
Charges for services	-	-	-	-
Program revenues	-	-	-	-
Contributions and other	-	22,026	-	-
Total revenues	<u>1,037</u>	<u>22,182</u>	<u>975</u>	<u>1,085</u>
Expenditures				
General government	-	28	-	37
Highways and streets	40	-	-	-
Transportation	-	-	-	-
Community development	-	-	-	-
Sewer maintenance	-	-	168,408	-
Debt service	-	-	-	-
Total expenditures	<u>40</u>	<u>28</u>	<u>168,408</u>	<u>37</u>
Excess (deficiency) of revenues over (under) expenditures	<u>997</u>	<u>22,154</u>	<u>(167,433)</u>	<u>1,048</u>
Other financing sources (uses)				
Proceeds from sale of assets	-	-	-	-
Transfers in	-	-	167,485	-
Transfers out	-	(15,558)	-	(35)
Total other financing sources (uses)	<u>-</u>	<u>(15,558)</u>	<u>167,485</u>	<u>(35)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>997</u>	<u>6,596</u>	<u>52</u>	<u>1,013</u>
Fund balance (deficit) at beginning of year	<u>50,929</u>	<u>18,228</u>	<u>46,841</u>	<u>51,776</u>
Fund balance at end of year	<u>\$ 51,926</u>	<u>\$ 24,824</u>	<u>\$ 46,893</u>	<u>\$ 52,789</u>

Permanent Funds			
Cemetery Endowment Fund		Total Nonmajor Governmental Funds	
\$ -	\$	178,209	
-		474,444	
-		1,121,839	
25,715		62,370	
-		2,350	
-		138,012	
-		220,390	
-		5,622	
13,135		454,841	
38,850		2,658,077	
2		67	
-		1,224,404	
-		740,414	
-		1,153,306	
-		168,408	
-		50,870	
2		3,337,469	
38,848		(679,392)	
-		342	
-		929,370	
(49,281)		(647,064)	
(49,281)		282,648	
(10,433)		(396,744)	
827,110		3,041,039	
\$ 816,677	\$	2,644,295	

CITY OF NILES, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
TAX INCREMENTAL FINANCE AUTHORITY (TIFA) FUND
For the Year ended September 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Taxes	\$ 77,004	\$ 77,004	\$ -
Interest	1,057	1,057	-
Contributions	7,720	7,720	-
Other	924	924	-
Total revenues	<u>86,705</u>	<u>86,705</u>	<u>-</u>
Expenditures			
Property repairs and maintenance	5,500	21,695	(16,195)
Professional services	-	3,774	(3,774)
Salaries and wages	35,300	39,924	(4,624)
Printing and publishing	3,600	1,530	2,070
Equipment capital outlay	-	3,048	(3,048)
Parks and concert programs	13,500	19,959	(6,459)
Miscellaneous	<u>15,200</u>	<u>18,264</u>	<u>(3,064)</u>
Total expenditures	<u>73,100</u>	<u>108,194</u>	<u>(35,094)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,605</u>	<u>(21,489)</u>	<u>(35,094)</u>
Other financing sources (uses)			
Transfers in	3,641	3,641	-
Transfers out	<u>-</u>	<u>(4,000)</u>	<u>(4,000)</u>
Total financing sources/(uses)	<u>3,641</u>	<u>(359)</u>	<u>(4,000)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 17,246</u>	<u>(21,848)</u>	<u>\$ (39,094)</u>
Fund balance at beginning of year		<u>45,156</u>	
Fund balance at end of year		<u>\$ 23,308</u>	

CITY OF NILES, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
BUILDING DEPARTMENT FUND
For the Year ended September 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Permits	\$ 120,450	\$ 137,460	\$ 17,010
Fees	3,000	2,350	(650)
Interest	200	36	(164)
Other	200	479	279
Total revenues	<u>123,850</u>	<u>140,325</u>	<u>16,475</u>
Expenditures			
Wages	73,950	74,943	(993)
Fringes	26,410	29,681	(3,271)
Supplies	6,500	7,930	(1,430)
Demolition	10,000	100	9,900
Travel, training and conference	6,000	1,197	4,803
Dues and subscriptions	1,500	159	1,341
Communications	3,500	1,954	1,546
Capital outlay	3,500	163	3,337
Office equipment repairs and maintenance	600	381	219
Professional services	30,400	36,558	(6,158)
Printing and publishing	1,500	232	1,268
Miscellaneous	2,500	2,967	(467)
Total expenditures	<u>166,360</u>	<u>156,265</u>	<u>10,095</u>
Deficiency of revenues under expenditures	<u>(42,510)</u>	<u>(15,940)</u>	<u>26,570</u>
Other financing sources			
Transfers in	<u>42,510</u>	<u>30,000</u>	<u>(12,510)</u>
Total other financing sources	<u>42,510</u>	<u>30,000</u>	<u>(12,510)</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>14,060</u>	<u>\$ 14,060</u>
Deficit at beginning of year		<u>(12,276)</u>	
Fund balance at end of year		<u>\$ 1,784</u>	

CITY OF NILES, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
COMMUNITY DEVELOPMENT GRANT LOANS FUND
For the Year ended September 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Interest	\$ -	\$ 577	\$ 577
Expenditures			
Miscellaneous	-	24	(24)
Excess of revenues over expenditures	-	553	553
Other financing uses			
Transfers out	(5,000)	-	5,000
Total other financing uses	(5,000)	-	5,000
Excess (deficiency) of revenues over (under) expenditures and other financing uses	<u>\$ (5,000)</u>	553	<u>\$ 5,553</u>
Fund balance at beginning of year		29,139	
Fund balance at end of year		<u>\$ 29,692</u>	

CITY OF NILES, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
DOWNTOWN REVOLVING LOAN FUND
For the Year ended September 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Interest	<u>\$ 719</u>	<u>\$ 2,030</u>	<u>\$ 1,311</u>
Expenditures			
Professional services	50	-	50
Miscellaneous	<u>-</u>	<u>54</u>	<u>(54)</u>
Total expenditures	<u>50</u>	<u>54</u>	<u>(4)</u>
Excess of revenues over expenditures	<u>\$ 669</u>	1,976	<u>\$ 1,307</u>
Fund balance at beginning of year		<u>86,552</u>	
Fund balance at end of year		<u>\$ 88,528</u>	

CITY OF NILES, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
COMMUNITY DEVELOPMENT HOUSING REHABILITATION FUND
For the Year ended September 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Federal grants - MEDC	\$ -	\$ 262,026	\$ 262,026
State grants - MSHDA	-	10,030	10,030
Program revenues	-	5,622	5,622
Contributions	-	350,000	350,000
Interest	-	677	677
Total revenues	-	<u>628,355</u>	<u>628,355</u>
Expenditures			
Grant expenditures - MEDC	-	567,598	(567,598)
Grant expenditures - HUD	-	99,346	(99,346)
Grant expenditures - MSHDA	-	14,980	(14,980)
Miscellaneous	-	2,321	(2,321)
Total expenditures	-	<u>684,245</u>	<u>(684,245)</u>
Deficiency of revenues under expenditures	-	(55,890)	(55,890)
Other financing sources			
Transfers in	<u>50,000</u>	<u>108,201</u>	<u>58,201</u>
Total other financing sources	<u>50,000</u>	<u>108,201</u>	<u>58,201</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ 50,000</u>	52,311	<u>\$ 2,311</u>
Fund balance at beginning of year		<u>5,236</u>	
Fund balance at end of year		<u>\$ 57,547</u>	

CITY OF NILES, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
INDUSTRIAL PARK FUND
For the Year ended September 30, 2005

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Interest	\$ 50	\$ 1,639	\$ 1,589
Total revenues	<u>50</u>	<u>1,639</u>	<u>1,589</u>
Expenditures			
Industrial development project	-	202,832	(202,832)
Utilities	-	1,245	(1,245)
Miscellaneous	-	67	(67)
Total expenditures	<u>-</u>	<u>204,144</u>	<u>(204,144)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>50</u>	<u>(202,505)</u>	<u>(202,555)</u>
Other financing sources (uses)			
Transfers in	-	202,832	202,832
Transfers out	-	(68,287)	(68,287)
Total other financing sources	<u>-</u>	<u>134,545</u>	<u>134,545</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 50</u>	<u>(67,960)</u>	<u>\$ (68,010)</u>
Fund balance at beginning of year		<u>209,327</u>	
Fund balance at end of year		<u>\$ 141,367</u>	

CITY OF NILES, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
DAIL-A-RIDE TRANSPORTATION FUND
For the Year ended September 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Taxes	\$ 88,100	\$ 101,205	\$ 13,105
Federal revenues	245,640	212,418	(33,222)
State-shared revenues	262,512	308,003	45,491
Interest	2,900	4,975	2,075
Charges for services	109,464	119,521	10,057
Contributions and other	9,000	9,529	529
Total revenues	<u>717,616</u>	<u>755,651</u>	<u>38,035</u>
Expenditures			
Contractual services	602,898	609,881	(6,983)
Repairs and maintenance	3,000	1,500	1,500
Equipment capital outlay	6,400	7,459	(1,059)
Vehicle capital outlay	169,500	106,030	63,470
Miscellaneous	34,160	15,544	18,616
Total expenditures	<u>815,958</u>	<u>740,414</u>	<u>75,544</u>
Excess (deficiency) of revenues over (under) expenditures	(98,342)	15,237	113,579
Other financing sources			
Proceeds from sale of assets	<u>2,400</u>	<u>342</u>	<u>(2,058)</u>
Total financing sources	<u>2,400</u>	<u>342</u>	<u>(2,058)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>\$ (95,942)</u>	15,579	<u>\$ 111,521</u>
Fund balance at beginning of year		<u>314,985</u>	
Fund balance at end of year		<u>\$ 330,564</u>	

CITY OF NILES, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
LOCAL STREET FUND
For the Year ended September 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
State revenues - gas and weight tax	\$ 230,000	\$ 235,430	\$ 5,430
Interest	300	890	590
Total revenues	<u>230,300</u>	<u>236,320</u>	<u>6,020</u>
Expenditures			
Routine maintenance - roads and streets	524,311	479,077	45,234
Traffic service - maintenance	47,100	57,383	(10,283)
Winter maintenance	85,100	74,054	11,046
Administration, engineering and recordkeeping	16,900	17,257	(357)
Total expenditures	<u>673,411</u>	<u>627,771</u>	<u>45,640</u>
Deficiency of revenues under expenditures	<u>(443,111)</u>	<u>(391,451)</u>	<u>51,660</u>
Other financing sources			
Transfers in	<u>417,211</u>	<u>417,211</u>	-
Total other financing sources	<u>417,211</u>	<u>417,211</u>	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>\$ (25,900)</u>	25,760	<u>\$ 51,660</u>
Fund balance at beginning of year		<u>113,922</u>	
Fund balance at end of year		<u>\$ 139,682</u>	

CITY OF NILES, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
MAJOR STREET FUND
For the Year ended September 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
State revenues - gas and weight tax	\$ 560,000	\$ 568,376	\$ 8,376
Interest	3,500	2,737	(763)
Charges for services - street department	95,000	100,869	5,869
Contributions and other	-	158	158
Total revenues	<u>658,500</u>	<u>672,140</u>	<u>13,640</u>
Expenditures			
Construction	-	37,389	(37,389)
Routine maintenance - streets	217,000	261,428	(44,428)
Routine maintenance - bridges	2,500	1,350	1,150
Traffic service - maintenance	45,800	66,489	(20,689)
Winter maintenance - major streets	110,800	107,222	3,578
Administration, engineering and recordkeeping	16,900	17,181	(281)
Traffic signals	11,200	10,798	402
Routine maintenance - trunkline	13,400	17,915	(4,515)
Sweeping and flushing	11,400	8,875	2,525
Trees and shrubs	2,200	226	1,974
Berm maintenance	5,600	3,803	1,797
Grass and weed control	1,100	1,238	(138)
Signs	1,000	528	472
Pavement marking	500	418	82
Winter maintenance - trunklines	35,300	37,756	(2,456)
Fringe benefits	14,000	16,474	(2,474)
General expenses	<u>7,000</u>	<u>7,503</u>	<u>(503)</u>
Total expenditures	<u>495,700</u>	<u>596,593</u>	<u>(100,893)</u>
Excess of revenues over expenditures	162,800	75,547	(87,253)
Other financing uses			
Transfers out	<u>(250,000)</u>	<u>(250,000)</u>	-
Total other financing sources	<u>(250,000)</u>	<u>(250,000)</u>	-
Deficiency of revenues under expenditures and other financing uses	<u>\$ (87,200)</u>	(174,453)	<u>\$ (87,253)</u>
Fund balance at beginning of year		<u>351,066</u>	
Fund balance at end of year		<u>\$ 176,613</u>	

CITY OF NILES, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
ECONOMIC DEVELOPMENT GRANTS AND LOANS FUND
For the Year ended September 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Interest	\$ 18,928	\$ 19,334	\$ 406
Expenditures			
Professional services	-	190	(190)
Miscellaneous	-	190	(190)
Total expenditures	-	380	(380)
Excess of revenues over expenditures	18,928	18,954	26
Other financing uses			
Transfers out	-	(259,903)	(259,903)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	<u>\$ 18,928</u>	(240,949)	<u>\$ (259,877)</u>
Fund balance at beginning of year		902,392	
Fund balance at end of year		<u>\$ 661,443</u>	

CITY OF NILES, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
CITY BUILDING AUTHORITY DEBT SERVICE FUND
For the Year ended September 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Rental income	\$ 50,000	\$ 50,870	\$ 870
Expenditures			
Debt service	50,000	50,870	(870)
Fund balance at beginning of year		-	
Fund balance at end of year		\$ -	

CITY OF NILES, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
CAPITAL IMPROVEMENT FUND
For the Year ended September 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Special assessment	\$ (2,500)	\$ -	\$ 2,500
Interest	<u>200</u>	<u>1,037</u>	<u>837</u>
Total revenues	<u>(2,300)</u>	<u>1,037</u>	<u>3,337</u>
Expenditures			
Miscellaneous	<u>-</u>	<u>40</u>	<u>(40)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,300)</u>	997	<u>\$ 3,297</u>
Fund balance at beginning of year		<u>50,929</u>	
Fund balance at end of year		<u>\$ 51,926</u>	

CITY OF NILES, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
EQUIPMENT REPLACEMENT FUND
For the Year ended September 30, 2005

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Interest	\$ 300	\$ 156	\$ (144)
Contributions from private sources	<u>10,000</u>	<u>22,026</u>	<u>12,026</u>
Total revenues	<u>10,300</u>	<u>22,182</u>	<u>11,882</u>
Expenditures			
Miscellaneous	<u>-</u>	<u>28</u>	<u>(28)</u>
Excess of revenues over expenditures	<u>10,300</u>	<u>22,154</u>	<u>11,854</u>
Other financing uses			
Transfers out	<u>(10,000)</u>	<u>(15,558)</u>	<u>(5,558)</u>
Total other financing uses	<u>(10,000)</u>	<u>(15,558)</u>	<u>(5,558)</u>
Excess of revenues over expenditures and other financing uses	<u>\$ 300</u>	6,596	<u>\$ 6,296</u>
Fund balance at beginning of year		<u>18,228</u>	
Fund balance at end of year		<u>\$ 24,824</u>	

CITY OF NILES, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
SEWER MAINTENANCE FUND
For the Year ended September 30, 2005

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Interest	\$ 200	\$ 423	\$ 223
Permits	-	552	552
Total revenues	<u>200</u>	<u>975</u>	<u>775</u>
Expenditures			
Salaries and wages	51,800	62,559	(10,759)
Fringe benefits	27,200	36,054	(8,854)
Operating supplies	11,100	5,976	5,124
Communications	200	-	200
Vehicle maintenance and operations	21,600	22,732	(1,132)
Repairs and maintenance - sewer system	84,000	38,292	45,708
Other	<u>2,000</u>	<u>2,795</u>	<u>(795)</u>
Total expenditures	<u>197,900</u>	<u>168,408</u>	<u>29,492</u>
Deficiency of revenues under expenditures	<u>(197,700)</u>	<u>(167,433)</u>	<u>30,267</u>
Other financing sources			
Transfers in	<u>197,700</u>	<u>167,485</u>	<u>(30,215)</u>
Total other financing sources	<u>197,700</u>	<u>167,485</u>	<u>(30,215)</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>52</u>	<u>\$ 52</u>
Fund balance at beginning of year		<u>46,841</u>	
Fund balance at end of year		<u>\$ 46,893</u>	

CITY OF NILES, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
LOCAL IMPROVEMENT REVOLVING FUND
For the Year ended September 30, 2005

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Special assessment #361	\$ 300	\$ -	\$ (300)
Interest	<u>150</u>	<u>1,085</u>	<u>935</u>
Total revenues	<u>450</u>	<u>1,085</u>	<u>635</u>
Expenditures			
Miscellaneous	<u>-</u>	<u>37</u>	<u>(37)</u>
Excess of revenues over expenditures	<u>450</u>	<u>1,048</u>	<u>598</u>
Other financing uses			
Transfers out	<u>(300)</u>	<u>(35)</u>	<u>265</u>
Excess of revenues over expenditures and other financing uses	<u>\$ 150</u>	1,013	<u>\$ 863</u>
Fund balance at beginning of year		<u>51,776</u>	
Fund balance at end of year		<u>\$ 52,789</u>	

CITY OF NILES, MICHIGAN
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
ALL AGENCY FUNDS

	Balance October 1, 2004	Additions	Deductions	Balance September 30, 2005
<u>Niles Community Schools Trustee Fund</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 2,083,476	\$ 2,083,454	\$ 22
Taxes receivable	-	2,148,366	2,148,366	-
Total assets	<u>\$ -</u>	<u>\$ 4,231,842</u>	<u>\$ 4,231,820</u>	<u>\$ 22</u>
LIABILITIES				
Due to Niles Community Schools	\$ -	\$ 4,231,842	\$ 4,231,820	\$ 22
Total liabilities	<u>\$ -</u>	<u>\$ 4,231,842</u>	<u>\$ 4,231,820</u>	<u>\$ 22</u>
<u>Berrien County Entities Trust Fund</u>				
ASSETS				
Cash and cash equivalents	\$ (13,091)	\$ 3,388,105	\$ 3,120,906	\$ 254,108
Taxes receivable	195,589	2,051,073	2,048,287	198,375
Due from other funds	37,029	30,251	37,029	30,251
Total assets	<u>\$ 219,527</u>	<u>\$ 5,469,429</u>	<u>\$ 5,206,222</u>	<u>\$ 482,734</u>
LIABILITIES				
Due to other funds	\$ 5,636	\$ 10,090	\$ 5,636	\$ 10,090
Due to Berrien County and other County entities	213,891	5,459,339	5,200,586	472,644
Total liabilities	<u>\$ 219,527</u>	<u>\$ 5,469,429</u>	<u>\$ 5,206,222</u>	<u>\$ 482,734</u>
<u>Niles Library Trustee Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 77	\$ 334,255	\$ 334,103	\$ 229
Taxes receivable	2,187	289,558	289,006	2,739
Due from other funds	25,897	-	-	25,897
Total assets	<u>\$ 28,161</u>	<u>\$ 623,813</u>	<u>\$ 623,109</u>	<u>\$ 28,865</u>
LIABILITIES				
Due to Niles Library	\$ 28,161	\$ 623,813	\$ 623,109	\$ 28,865
Total liabilities	<u>\$ 28,161</u>	<u>\$ 623,813</u>	<u>\$ 623,109</u>	<u>\$ 28,865</u>

(Continued)

CITY OF NILES, MICHIGAN
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
ALL AGENCY FUNDS

	Balance October 1, 2004	Additions	Deductions	Balance September 30, 2005
<u>SMCAS Trustee Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 35	\$ 54,819	\$ 54,840	\$ 14
Taxes receivable	-	54,880	54,880	-
Total assets	<u>\$ 35</u>	<u>\$ 109,699</u>	<u>\$ 109,720</u>	<u>\$ 14</u>
LIABILITIES				
Due to SMCAS	\$ 35	\$ 109,699	\$ 109,720	\$ 14
Total liabilities	<u>\$ 35</u>	<u>\$ 109,699</u>	<u>\$ 109,720</u>	<u>\$ 14</u>
<u>Riverfront Amphitheater Landscaping and DDA Revitalization Funds</u>				
ASSETS				
Cash and cash equivalents	\$ 4,782	\$ 3,530	\$ -	\$ 8,312
Due from other funds	-	34	-	34
Total assets	<u>\$ 4,782</u>	<u>\$ 3,564</u>	<u>\$ -</u>	<u>\$ 8,346</u>
LIABILITIES				
Due to other taxing entities	\$ 4,782	\$ 3,564	\$ -	\$ 8,346
Total liabilities	<u>\$ 4,782</u>	<u>\$ 3,564</u>	<u>\$ -</u>	<u>\$ 8,346</u>
<u>Totals - All Agency Funds</u>				
ASSETS				
Cash and cash equivalents	\$ (8,197)	\$ 5,864,185	\$ 5,593,303	\$ 262,685
Taxes receivable	197,776	4,543,877	4,540,539	201,114
Due from other funds	62,926	30,285	37,029	56,182
Total assets	<u>\$ 252,505</u>	<u>\$ 10,438,347</u>	<u>\$ 10,170,871</u>	<u>\$ 519,981</u>
LIABILITIES				
Due to other funds	\$ 5,636	\$ 10,090	\$ 5,636	\$ 10,090
Due to other taxing units	246,869	10,428,257	10,165,235	509,891
Total liabilities	<u>\$ 252,505</u>	<u>\$ 10,438,347</u>	<u>\$ 10,170,871</u>	<u>\$ 519,981</u>

CITY OF NILES, MICHIGAN
GENERAL OBLIGATION BONDS - PRINCIPAL AND INTEREST REQUIREMENTS
September 30, 2005

Building Authority Bonds				
Fiscal Year Ending <u>September 30,</u>	Principal	Interest		Total
	<u>March 15</u>	<u>March 15</u>	<u>September 15</u>	<u>Requirements</u>
2006	\$ 30,000	\$ 12,041	\$ 11,329	\$ 53,370
2007	30,000	11,329	10,616	51,945
2008	30,000	10,616	9,904	50,520
2009	35,000	9,904	9,073	53,977
2010	35,000	9,073	8,241	52,314
2011	35,000	8,241	7,410	50,651
2012	40,000	7,410	6,460	53,870
2013	40,000	6,460	5,510	51,970
2014	40,000	5,510	4,560	50,070
2015	45,000	4,560	3,480	53,040
2016	45,000	3,480	2,400	50,880
2017	50,000	2,400	1,200	53,600
2018	50,000	1,200	-	51,200
	<u>\$ 505,000</u>	<u>\$ 92,224</u>	<u>\$ 80,183</u>	<u>\$ 677,407</u>
Water Improvements Bonds				
Fiscal Year Ending <u>September 30,</u>	Principal	Interest		Total
	<u>October 1</u>	<u>October 1</u>	<u>April 1</u>	<u>Requirements</u>
2006	\$ 185,000	\$ 106,253	\$ 106,253	\$ 397,506
2007	225,000	104,403	104,403	433,806
2008	255,000	101,591	101,591	458,182
2009	260,000	97,766	97,766	455,532
2010	270,000	93,866	93,866	457,732
2011	275,000	89,816	89,816	454,632
2012	285,000	85,003	85,003	455,006
2013	300,000	79,838	79,838	459,676
2014	310,000	74,212	74,212	458,424
2015	320,000	68,206	68,206	456,412
2016	330,000	62,446	62,446	454,892
2017	345,000	56,259	56,259	457,518
2018	360,000	49,618	49,618	459,236
2019	370,000	42,507	42,507	455,014
2020	385,000	35,108	35,108	455,216
2021	405,000	27,215	27,215	459,430
2022	420,000	18,710	18,710	457,420
2023	440,000	9,680	9,680	459,360
	<u>\$ 5,740,000</u>	<u>\$ 1,202,497</u>	<u>\$ 1,202,497</u>	<u>\$ 8,144,994</u>

CITY OF NILES, MICHIGAN
DIAL-A-RIDE TRANSPORTATION
SUPPLEMENTARY SCHEDULE OF NET ELIGIBLE COSTS COMPUTATIONS OF
GENERAL OPERATIONS
For the Year ended September 30, 2005

Expenditures	
Contractual services	\$ 609,881
Less, Ineligible expenditures (preventative maintenance FTA #MI-90-X458)	<u>105,127</u>
Net eligible expenditures	<u><u>\$ 504,754</u></u>
 State Operating Assistance	 \$ 216,488
Less: Statutory cap of 42.23% of net eligible expenditures	213,158
Less: State share of preventative maintenance	<u>21,025</u>
 Amount due to (from) State of Michigan	 <u><u>\$ (17,695)</u></u>

CITY OF NILES, MICHIGAN
DIAL-A-RIDE TRANSPORTATION
SUPPLEMENTARY SCHEDULE OF MILEAGE DATA
For the Year ended September 30, 2005
(UNAUDITED)

	Public Transportation <u>Mileage</u>
Demand response:	
First quarter	58,125
Second quarter	64,787
Third quarter	75,024
Fourth quarter	<u>58,189</u>
Total demand response	<u><u>256,125</u></u>